

Appendix A  
**REPORT OF THE AIRPORT CONSULTANT**

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE BONDS  
Series 2019A and Series 2019B (AMT)

Prepared for  
City of Austin, Texas

Prepared by  
LeighFisher  
Burlingame, California

June \_\_, 2019

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June \_\_, 2019

Ms. Jacqueline Yaft  
Executive Director  
Austin-Bergstrom International Airport  
3600 Presidential Boulevard, Suite 411  
Austin, Texas 78719

Re: **Report of the Airport Consultant  
City of Austin, Texas  
Airport System Revenue Bonds  
Series 2019A and Series 2019B (AMT)**

Dear Ms. Yaft:

We are pleased to submit this Report of the Airport Consultant on the proposed issuance of Airport System Revenue Bonds by the City of Austin, Texas (the City). Austin-Bergstrom International Airport (the Airport or ABIA) comprises the Airport System operated by the City through its Aviation Department. The Airport System is a self-sufficient enterprise of the City. This letter and the accompanying attachment and financial exhibits constitute our report.

The City's proposed Airport System Revenue Bonds, Series 2019A are being issued in the approximate principal amount of \$55 million to fund certain of the costs of landside and airfield improvements, including completion of a new automobile parking garage.

The City's proposed Airport System Revenue Bonds, Series 2019B (AMT) are being issued in the approximate principal amount of \$238 million to fund certain of the costs of completing an expansion of the passenger terminal and making other improvements to the Airport in 2019 through 2023, including new maintenance and IT facilities, a centralized baggage handling system, and a new administration building.

These proposed Series 2019A and 2019B bonds are referred to herein collectively as the 2019A-B Bonds. The report also assumes the issuance of approximately \$324 million in principal amount of additional Airport System Revenue Bonds in 2021 (the 2021 Bonds) to fund certain of the costs of making other improvements to the Airport in 2019 through 2023, including certain projects recommended in the Airport's new Master Plan. The projects to be funded in part with the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds are referred to collectively in this report as the 2019-2023 Project.

The elements of the 2019-2023 Project, their estimated costs, and the funding plan are summarized in the attachment and in Exhibit A.\* The estimated sources and uses of funds from the sale of the proposed 2019A-B Bonds and planned 2021 Bonds are shown in Exhibit B. The forecast Debt Service Requirements of outstanding Revenue Bonds, proposed 2019A-B Bonds, and planned 2021 Bonds are shown in Exhibit C.

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\*All financial exhibits are provided at the end of the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts."

Ms. Jacqueline Yaft

June \_\_, 2019

On April 23, 2019, the City issued the Airport System Revenue Refunding Bonds, Series 2019, in the amount of \$152 million, which fully refunded the Airport System Revenue Refunding Bonds, Series 2005.

### Revenue Bond Ordinances

The 2019A-B Bonds are to be issued under the terms of Revenue Bond Ordinances adopted by the City on June 20, 2019, which are substantially in the form of Revenue Bond Ordinances authorizing the prior issuance by the City of several series of Airport System Revenue Bonds and Airport System Refunding Revenue Bonds in 2005-2019. The Revenue Bond Ordinances authorizing the issuance of such Bonds and the proposed 2019A-B Bonds, are collectively referred to as the Revenue Bond Ordinances. Capitalized terms are used in this report as defined in the Revenue Bond Ordinances or in the Airline Agreement (discussed later), except as defined otherwise. All references in this Report to the Revenue Bond Ordinances and the summaries of the provisions thereof are qualified in their entirety to complete copies of the Revenue Bond Ordinances.

### Outstanding Bonds

As of May 1, 2019, the City had outstanding Revenue Bonds as follows:

Series	Principal amount	True interest cost	Final maturity (November 15)
2013 Bonds	\$ 48,030,000	1.56%	2028
2014 Bonds	244,495,000	4.19	2044
2017A Bonds	185,300,000	3.96	2046
2017B Bonds	129,665,000	4.12	2046
2019 Refunding Bonds	<u>151,720,000</u>	2.06	2025
	<u>\$759,210,000</u>		

All such outstanding Revenue Bonds were issued at fixed interest rates.

### Gross and Net Revenues

The proposed 2019A-B Bonds and planned 2021 Bonds are to be Additional Revenue Bonds under the Revenue Bond Ordinances and are to be secured by and payable from a first lien on the Net Revenues of the Airport System (Gross Revenues less Operation and Maintenance Expenses) on a parity with all outstanding Revenue Bonds.

Gross Revenues are generally defined in the Revenue Bond Ordinances to be, with certain exclusions, all income and revenues derived directly or indirectly from the operation and use of and otherwise pertaining to all or any part of the Airport System. Expressly excluded from Gross Revenues are, among other amounts, (1) passenger facility charge (PFC) revenues, (2) rental car customer facility charge (CFC) revenues and any other revenues derived from Special Facilities, and (3) Other Available Funds transferred to the Revenue Fund (all as discussed later). Operation and Maintenance Expenses are generally defined in the Revenue Bond Ordinances to exclude operating and maintenance expenses for Special Facilities payable by lessees under Special Facilities Leases.

Ms. Jacqueline Yaft

June \_\_, 2019

### **Passenger Facility Charge Revenues**

The City has authority from the Federal Aviation Administration (FAA) to impose a Passenger Facility Charge (PFC) of \$4.50 per eligible enplaned passenger at the Airport and to use PFC revenues to pay debt service on certain outstanding Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but will be set aside during a Fiscal Year for the payment of Revenue Bond debt service in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce debt service coverage during the following Fiscal Year to less than 125%. Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. The City expects to use PFC revenues to pay debt service on the 2019A-B Bonds and pay other pay-as-you-go costs of the 2019-2023 Project. The forecast sources and uses of PFC revenues are shown in Exhibit F, assuming continued imposition of a \$4.50 PFC and the use of PFC revenues to pay debt service to the maximum PFC-eligible amount.

### **Rental Car Customer Facility Charge Revenues**

As of May 15, 2019, the City had outstanding \$141.1 million principal amount of its Rental Car Special Facility Revenue Bonds, Taxable Series 2013 (the 2013 Rental Car Special Facility Bonds) issued to pay certain of the costs of constructing a consolidated rental car center at the Airport. The 2013 Rental Car Special Facility Bonds are secured by and payable from revenues derived from a CFC collected by the rental car companies from all Airport rental car customers, currently assessed at a rate of \$5.95 per rental car transaction-day. Under the Revenue Bond Ordinances, the 2013 Rental Car Special Facility Bonds are not Revenue Bonds secured by the Net Revenues of the Airport System and CFC revenues are not included in Gross Revenues. In this report, rental car operations were considered insofar as they may affect Net Revenues, but the adequacy of CFC revenues to meet the debt service requirements of the 2013 Rental Car Special Facility Bonds was not analyzed.

### **Rate Covenant**

Under Section 5.03 of the Revenue Bond Ordinances, the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that in each Fiscal Year, Net Revenues will be at least sufficient to equal the larger of either:

- (a) All amounts required to be deposited in the Fiscal Year to the credit of the Debt Service Fund, the Debt Service Reserve Fund, and the Administrative Expense Fund and to any debt service or debt service reserve fund or account for Subordinate Obligations, or
- (b) An amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses for the Fiscal Year.

The amount specified in Section 5.03(b) is forecast to be the larger. Such provision of the Revenue Bond Ordinances is referred to in this report as the Rate Covenant. The City's Fiscal Year (FY) is the 12 months ended September 30.

Ms. Jacqueline Yaft

June \_\_, 2019

### **Other Available Funds**

For the purposes of the Rate Covenant, Other Available Funds are defined in the Revenue Bond Ordinances as unencumbered amounts in the Capital Fund in excess of the Minimum Capital Reserve, up to a maximum of 25% of the Debt Service Requirements of Revenue Bonds for a Fiscal Year, that are designated by the City as Other Available Funds and transferred at the beginning of such Fiscal Year to the Revenue Fund. Such transfer has the effect of providing “rolling” debt service coverage to contribute to meeting the 125% requirement of the Rate Covenant.

Forecasts of debt service coverage calculated according to the requirements of the Revenue Bond Ordinances and demonstrating compliance with the Rate Covenant are presented in Exhibit G.

### **Airline Use and Lease Agreement**

Most of the airlines serving the Airport operate under the provisions of an Airline Use and Lease Agreement (the Airline Agreement) that became effective in October 2009 with an initial five-year term that, under its terms, continues month-to-month. Airlines that are signatory to the Airline Agreement are:

- American Airlines
- Delta Air Lines
- JetBlue Airways
- Southwest Airlines
- United Airlines.

These five airlines, referred to collectively in this report as the Signatory Airlines, accounted for approximately 86% of passengers enplaned at the Airport in FY 2018.

An amendment to the Airline Agreement has been executed by American, Delta, JetBlue, Southwest, and United, extending the term of the Agreement until one year after the Date of Beneficial Occupancy of the Terminal and Apron Expansion Project, now expected to be September 2019. The amendment clarified the landing fee billing process and updated the minimum gate usage requirement for preferential use of gate rights.

Under the Airline Agreement, landing fees are set in accordance with cost-center residual principles and terminal rentals and other airline charges are set according to compensatory principles. Coverage at 25% debt service allocable to the airline cost centers is included in the airline rate base. For the purposes of this report, it was assumed that the provisions of the Airline Agreement relating to the calculation of airline rentals, fees, and charges will remain substantively unchanged through the forecast period. The Airline Agreement does not require majority-in-interest or other approvals of capital projects or financings.

### **Scope of Report**

This report was prepared to evaluate the ability of the City to generate Gross Revenues from the Airport System sufficient to pay Operation and Maintenance Expenses; pay the Debt Service Requirements of outstanding Revenue Bonds, the proposed 2019A-B Bonds, and planned 2021 Bonds; and meet the debt service coverage requirements of the Rate Covenant.

Ms. Jacqueline Yaft

June \_\_, 2019

In preparing the report, we analyzed:

- Future airline traffic demand at the Airport, giving consideration to the demographic and economic characteristics of the Airport service region, historical trends in airline traffic, and other factors that will affect future traffic
- Estimated sources and uses of funds for the 2019-2023 Project and associated annual Debt Service Requirements
- Historical and estimated future PFC revenues and the use of certain of such revenues to pay Revenue Bond debt service
- Historical relationships among revenues, expenses, and airline traffic at the Airport
- The facilities to be provided as part of the 2019-2023 Project and other operational considerations affecting revenues and expenses
- The City's policies and contractual agreements relating to the use and occupancy of Airport facilities, including the calculation of airline rentals, fees, and charges under the Airline Agreement; the operation of concession privileges; and the leasing of buildings and grounds.

We also identified key factors upon which the future financial results of the Airport may depend and formulated assumptions about those factors. On the basis of those assumptions, we assembled the financial forecasts through FY 2025 presented in the exhibits at the end of the report. Estimates of project costs, financing assumptions, and debt service were provided by the sources noted in the exhibits.

Ms. Jacqueline Yaft

June \_\_, 2019

### Forecast Debt Service Coverage

Exhibit G and the following tabulation present the forecasts of Revenue Bond debt service coverage, showing that the 125% coverage requirement of the Rate Covenant is exceeded in each year of the forecast period.

	Estimated	Forecast					
		FY 2019	FY 2020	FY 2021	FY 2022	FY 2023	FY 2024
Gross Revenues	\$ 184,157	\$ 191,496	\$ 197,048	\$ 209,273	\$ 223,049	\$ 236,468	\$ 243,710
Less: Operation and Maintenance Expenses	(120,532)	(129,586)	(134,617)	(140,930)	(146,335)	(151,915)	(157,947)
Net Revenues	\$ 63,625	\$ 61,910	\$ 62,430	\$ 68,343	\$ 76,714	\$ 84,553	\$ 85,762
Other Available Funds	9,841	9,635	9,666	11,533	14,702	17,295	17,273
Net Revenues plus Other Available Funds	\$ 73,466	\$ 71,545	\$ 72,096	\$ 79,876	\$ 91,416	\$ 101,848	\$ 103,035
Less: Administrative Expenses (Net of payments from PFC revenues)	(659)	-	-	-	-	-	-
Subtotal	[A] \$ 72,807	\$ 71,545	\$ 72,096	\$ 79,876	\$ 91,416	\$ 101,848	\$ 103,035
Revenue Bond Debt Service	\$ 63,837	\$ 61,088	\$ 61,312	\$ 68,669	\$ 81,414	\$ 103,590	\$ 103,432
Less: Paid from PFC revenues	(24,473)	(22,550)	(22,648)	(22,537)	(22,607)	(34,410)	(34,342)
Revenue Bond Debt Service Requirements	[B] \$ 39,364	\$ 38,538	\$ 38,664	\$ 46,132	\$ 58,808	\$ 69,180	\$ 69,090
Debt service coverage	[A/B] 1.85 x	1.86 x	1.86 x	1.73 x	1.55 x	1.47 x	1.49 x
Debt service coverage requirement	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x

\* \* \* \* \*

The forecasts are based on information and assumptions that were provided by or reviewed with and agreed to by Airport management. The forecasts reflect Airport management's expected course of action during the forecast period and, in Airport management's judgment, present fairly the expected financial results of the Airport. Those key factors and assumptions that are significant to the forecasts are set forth in the attachment, "Background, Assumptions, and Rationale for the Financial Forecasts." The attachment should be read in its entirety for an understanding of the forecasts and the underlying assumptions.

In our opinion, the underlying assumptions provide a reasonable basis for the forecasts. However, any forecast is subject to uncertainties. Inevitably, some assumptions will not be realized and unanticipated events and circumstances may occur. Therefore, there will be differences between the forecast and actual results, and those differences may be material. Neither LeighFisher nor any person acting on our behalf makes any warranty, express or implied, with respect to the information, assumptions, forecasts, opinions, or conclusions disclosed in this report. We have no responsibility to update this report to reflect events and circumstances occurring after the date of the report.

We appreciate the opportunity to serve as the City's Airport Consultant for the financing of the 2019-2023 Project.

Respectfully submitted,

This preliminary draft report is subject to change and is intended for discussion purposes only. It is not to be made available to parties other than those to whom it has been issued directly and should not be relied upon for securing financing or making investment decisions.

Attachment  
BACKGROUND, ASSUMPTIONS, AND RATIONALE  
FOR THE FINANCIAL FORECASTS

REPORT OF THE AIRPORT CONSULTANT

on the proposed issuance of

CITY OF AUSTIN, TEXAS

AIRPORT SYSTEM REVENUE BONDS  
Series 2019A and Series 2019B (AMT)

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## AIRPORT FACILITIES AND CAPITAL IMPROVEMENTS

Austin-Bergstrom International Airport opened in 1999 at the site of the former Bergstrom Air Force Base, replacing Robert Mueller Municipal Airport. The 700-acre Mueller Airport site, approximately three miles from downtown Austin, was successfully redeveloped as a mixed-use urban community by the City of Austin under a public-private partnership agreement. The Mueller Airport property is not part of the Airport System.

The Airport is classified as a medium hub by the Federal Aviation Administration (FAA) and occupies a 4,240-acre site approximately eight miles southeast of downtown Austin. Airport access is provided by Texas State Highway 71 (SH 71), a six-lane divided highway running east-west, and U.S. Highway 183 (US 183), a four-lane divided highway running north south. SH 71 provides access to Interstate Highway 35 (I-35) approximately six miles to the west and Texas State Highway 130 (SH 130 Toll Road) approximately six miles to the east.

The Airport's two parallel north-south runways, designated 17L-35R and 17R-35L, are 9,000 feet and 12,250 feet long, respectively, 150 feet wide, and capable of accommodating all aircraft now in commercial service. The runways are separated by 6,700 feet, allowing their use for the simultaneous arrival of aircraft in virtually all weather conditions.

### BARBARA JORDAN TERMINAL

Figure 1 shows a site plan of the Airport's four-level, approximately 964,000-square-foot Barbara Jordan passenger terminal and adjacent public and rental car parking facilities. The square footages and gate count include the nine-gate east expansion. Four of the gates became operational in February 2019 and the remaining five gates are scheduled to become operational in September 2019.

Level 1, the baggage claim level, provides 149,000 square feet of space for baggage claim devices and lobby and support facilities. The baggage claim level accommodates a 33,000-square-foot Customs and Border Protection (CBP) facility for the processing of international arriving passengers. The CBP facility was expanded by approximately 19,000 square feet in December 2014.

Level 2, the apron level, provides 321,000 square feet of space for inbound and outbound baggage handling equipment and facilities, airline operations space, and other non-public areas. The apron level also provides a passenger holdroom for the ground-level loading of regional airline aircraft (Gate B). The aircraft parking apron adjacent to the terminal provides approximately 96 acres for aircraft parking at the 34 terminal gates, as well as "remain overnight (RON)" aircraft parking positions.

Level 3, the concourse level, provides 393,000 square feet of space for airline check-in counters with lobby and queuing areas, airline offices, public circulation areas, passenger security screening facilities, concessions, passenger holdrooms, restrooms, and support facilities. The concourse provides 32 loading bridge-equipped aircraft parking positions (gates) capable of accommodating up to B-757-size aircraft in domestic service. Four gates at the expanded concourses are capable of accommodating domestic and international flights by widebody aircraft. These four widebody gates, as well as two of the narrowbody gates provide access to the CBP facility.

Level 4, the mezzanine level, provides 7,000 square feet of space for Aviation Department offices and other offices and airline club rooms. Above the mezzanine level is a 7,000-square-foot penthouse level with mechanical rooms.

### **SOUTH TERMINAL**

In March 2016, the City entered into a 30-year Lease and Concession Agreement on the South Terminal (a 30,000 square foot building and part of the original Air Force Base facilities) with Lone Star Airport Holdings, LLC. Frontier Airlines and Allegiant Air have relocated from the Barbara Jordan Terminal to the South Terminal. ViaAir operated out of the South Terminal from May 2017 through May 2019.

As of May 2019, these three air carriers operate approximately 56 weekly departures. Based on published schedules (which do not reflect the cessation of ViaAir's operations at ABIA), these carriers are expected to reach 122 weekly departures in July 2019.

The building underwent an approximate \$12 million renovation funded by Lone Star Airport Holdings LLC and opened in April 2017. Lone Star Airport Holdings LLC is in the process of evaluating alternates to further increase the capacity of the South Terminal.

The South Terminal is accessed from a separate entrance on the south side of the Airport from Burlison Road.

### **2019-2023 PROJECT**

The projects to be funded in part with the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds, collectively referred to in this report as the 2019-2023 Project, are summarized in the following sections. Estimated project costs and funding sources for the 2019-2023 Project are shown in Exhibit A.

#### **Terminal and Apron Expansion and Improvement Project**

The Terminal and Apron Expansion and Improvement project widened and extended the existing 95-foot-wide concourse and enlarged the adjacent aircraft parking apron to provide nine additional gates equipped with loading bridges. Four of the gates at the expanded east concourse will be capable of accommodating domestic and international flights by widebody aircraft. The four widebody gates and three of the narrowbody gates will allow access to the CBP facility (the expansion of which was completed in September 2015). As shown in Exhibit A, \$28 million of project costs of the 2019B Bonds are for the completion of this project. The total cost of this multi-year project was approximately \$378 million, \$186 million of which was used for the construction of the nine-gate terminal expansion, and had previously been funded with PFCs and proceeds from the 2014 Bonds and the 2017B Bonds.

Four of the nine gates became operational in February 2019. All gates in the east concourse are expected to be operational by September 2019.

#### **Parking Garage**

The Parking Garage project is a new six-level parking structure with approximately 6,000 spaces at the Lot A site, north of the existing parking garage and west of the new rental car garage. The new garage will be connected to the existing garage and, net of the spaces lost at Lot A, will provide

approximately 5,000 additional public parking spaces. The \$47 million in project costs being funded with the 2019A Bonds represent the project completion costs. The Parking Garage project is anticipated to cost a total of \$250 million and has been previously funded with proceeds from the 2014 Bonds and 2017B Bonds.

The garage is scheduled to be completed and in use by June 2019.

### **Other Building Projects**

As shown, the 2019B Bonds include the City's purchase of the Lynxs Cargo Buildings.

To allow for the co-location of building, airline, and field maintenance divisions of the Department of Aviation, the 2019B Bonds are being used for the construction of a new consolidated Maintenance Facility.

Included in the Administration Buildings subtotal (\$17 million) on Exhibit A is \$12 million for the Employment Center and \$5 million for the procurement of technology to be installed in the new Airport Administration Building.

The 2019B Bonds are also being used to construct a new Information Technology (IT) building intended for use by the Department of Aviation and certain customer and user groups.

### **Master Plan Projects**

Looking beyond the 2019-2023 Project, the City prepared and submitted a new Master Plan to the FAA. The Master Plan, (which has a 20-year planning horizon from 2018-2037), included several alternatives for future development of terminal facilities, with the possible addition of up to 20 new airline gates and commensurate passenger processing and baggage handling facilities.

The City is evaluating its options for the phased delivery and funding of these future improvements. As shown in Exhibit A, there are certain Landside, Terminal, and Airfield projects from the Master Plan to be funded with the planned 2021 Bonds. In particular, the Master Plan Terminal Projects include the design of new passenger processing facilities and the construction of utilities infrastructure.

For purposes of this report, the implementation of the remaining proposed Master Plan projects is not included in the forecast period presented in this report.

### **Other Capital Improvements**

Other Airport renewal, replacement, and upgrade needs included in the 2019-2023 Project are:

- **Landside:** Renewal and replacement of roads, utilities, roadway and circulation improvements, and other Airport support facilities and systems, as well as the construction of a 2,000-space surface parking lot for employees.
- **Terminal:** Improvements to baggage handling systems and renewal and replacement of terminal facilities and systems.
- **Airfield:** Modifications to certain taxiways, reconstruction and repair of perimeter fences, apron repairs, and other airside improvements.

- **Other:** Replacement of capital equipment, vehicles, and information technology systems.

### **PUBLIC AND RENTAL CAR PARKING**

Approximately 15,600 public and 1,500 employee parking spaces are provided by the City on Airport property in a three-level public parking garage adjacent to the terminal, consolidated rental car garage, and in surface lots (5,800 spaces) served by shuttle buses. The public parking garage, dating from the 1999 opening of the Airport, provides 2,900 spaces for short-term and valet public parking. The first level of the garage is at the same level as the arrivals roadway and baggage claim level of the terminal. The third level of the garage is at the same level as the departures roadway and concourse level of the terminal.

The consolidated rental car garage, opened in September 2015, provides 3,200 rental car spaces and 900 public parking spaces on five levels.

As discussed above, a second public parking garage with approximately 6,000 public parking spaces on six levels has been completed as part of the 2019-2023 Project and became operational in June 2019.

In addition to the on-Airport public parking facilities provided by the City, the City and Scott Parking LLC entered into a public-private-partnership arrangement for a 2,000 space surface lot. This parking lot (located between the Barbara Jordan Terminal and the Hilton Hotel) opened in November 2016.

### **AIR CARGO**

Air cargo facilities occupy approximately 61 acres on the northern boundary of the Airport site, adjacent to SH 71. Air freight and mail carried on all-cargo aircraft, which accounts for approximately 73% of air cargo enplaned and deplaned at the Airport, is handled at these facilities. Four air cargo buildings with a combined floor area of 230,000 square feet and 34 acres of apron for aircraft parking are provided. Three of the buildings, previously managed by Lynxs Group CargoPort, were acquired by the City in 2018 and are now operated by the City. The fourth cargo building is managed by AeroTerm. FedEx and UPS Air Cargo account for approximately 85% of air cargo at the Airport.

Air cargo carried in the bellies of passenger aircraft is handled at two buildings with a combined floor area of 60,000 square feet occupying 5 acres immediately west of the passenger terminal apron. These facilities are managed by Airport Facilities Company.

### **GENERAL AVIATION**

General and business aviation at the Airport is served by two full-service fixed-base operators (FBOs), Atlantic Aviation Services and Signature Flight Support, at sites adjacent to Runway 17L-35R. Atlantic Aviation occupies a 47-acre site with five 12,000-square-foot hangars, a 14,000-square-foot terminal building, fuel storage facilities, and a 10-acre aircraft parking apron. Signature Flight Support occupies a 46-acre site with five 12,000-square-foot hangars, a 9,000-square-foot terminal building, fuel storage facilities, and a 9-acre aircraft parking apron. Three T-hangar buildings contiguous with the Signature Flight Support facility provide hangars for 54 aircraft. The City anticipates a third FBO, Million Air, will begin operations at a 49-acre site in FY 2020. Approximately 120 general aviation aircraft are based at the Airport.

This preliminary draft report is subject to change and is intended for discussion purposes only. It is not to be made available to parties other than those to whom it has been issued directly and should not be relied upon for securing financing or making investment decisions.

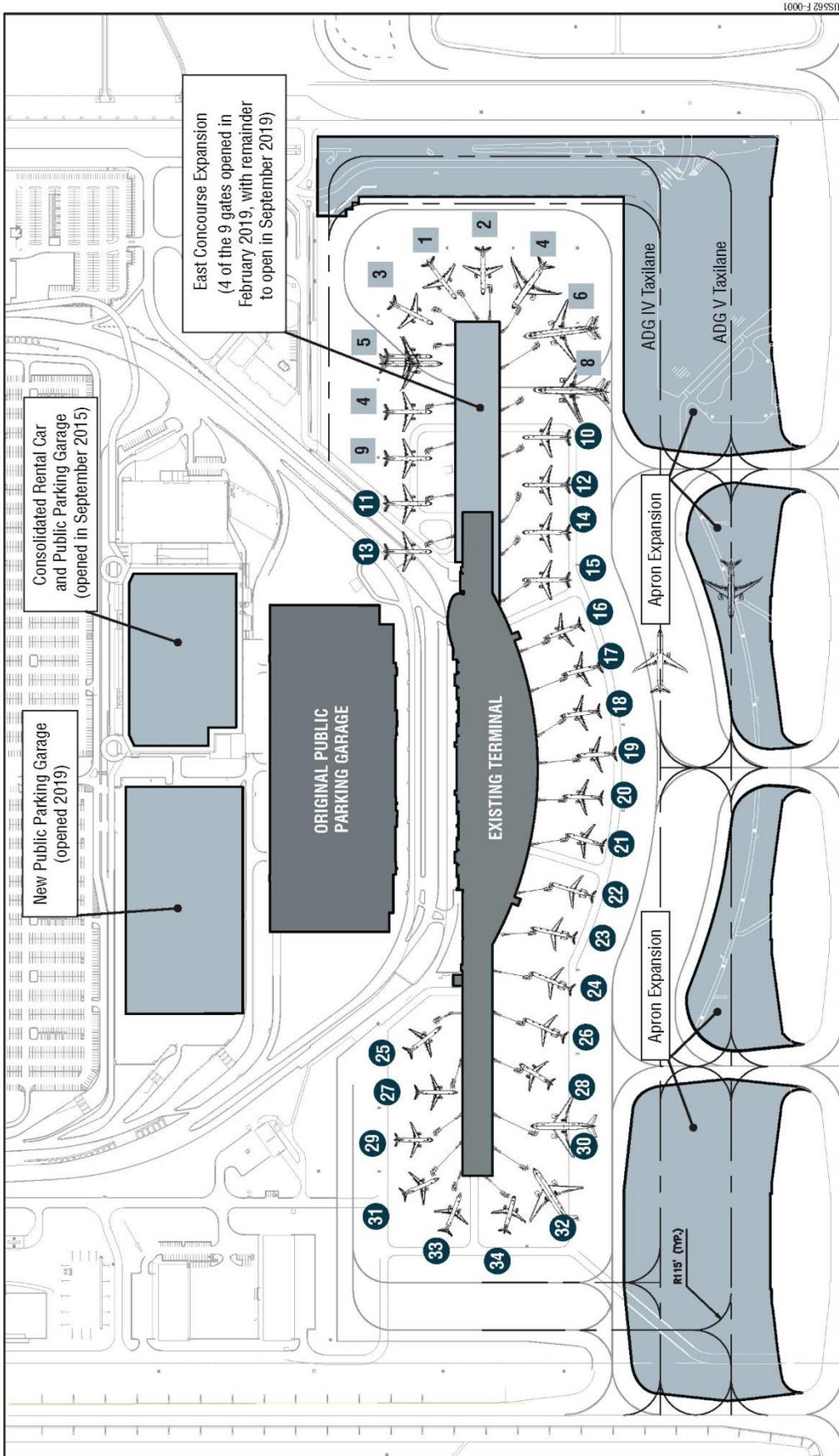


Figure 1  
BARBARA JORDAN TERMINAL AND PARKING STRUCTURES  
Austin-Bergstrom International Airport

## OTHER AIRPORT FACILITIES

**Texas State Department of Transportation.** The State Aviation Division's Flight Services Section occupies a 13-acre site east of Runway 17L-35R with aircraft hangars, fueling facilities, a terminal building, and an aircraft parking apron where aircraft used by State officials and employees are operated and maintained.

**Texas Air National Guard.** The Guard occupies a 60-acre site at the southern boundary of the Airport site for its Army Aviation Support Facility (AASF) with aircraft hangars and maintenance facilities, helicopter parking aprons, and administrative buildings. Adjacent to the site is a U.S. Armed Forces Reserve Center.

**Federal Aviation Administration (FAA).** An FAA Terminal Radar Approach Control (TRACON) facility is located at the Airport Traffic Control Tower.

**Aviation Support.** Support facilities include an aircraft fuel storage facility with two above-ground storage tanks with a combined capacity of 1.2 million gallons operated by Aircraft Service International Group; an airline ground service equipment (GSE) maintenance building; an in-flight catering building occupied by Sky Chefs; and Aviation Department operations, maintenance, and engineering facilities. The Airport is constructing a new \$78.5 million consolidated maintenance facility as part of the 2019-2023 Project for use by Aviation Department maintenance and operations staff.

**Nonaeronautical facilities.** Nonaeronautical facilities on Airport property include a 262-room Hilton hotel at the entrance to the Airport, rental car service and storage facilities, and a City of Austin employee training facility (Learning and Research Center). In 2016, the City and ABIA Retail, LLC entered into a public-private-partnership arrangement for a two-phase development of 13 acres on-Airport. Phase 1 included a 3-acre development of a gas station, convenience store, restaurant, cell phone lot, and public restrooms opened in 2017. Phase 2 included the development of a new 140-room Hyatt Hotel, opened in May 2018.

## ECONOMIC BASIS FOR AIRLINE TRAFFIC DEMAND

### AIRPORT SERVICE REGION

The Airport's primary service region is the 4,220-square-mile, 5-county Austin-Round Rock Metropolitan Statistical Area (the MSA), shown on Figure 2. According to the U.S. Department of Commerce, Bureau of the Census, the estimated population of the MSA in 2017 was 2,116,000.

### Nearby Airports

As shown on Figure 2, the nearest airports classified as large or medium hub airports by the FAA are those serving San Antonio (a medium hub approximately 80 road miles to the southwest), Houston (approximately 160 road miles to the east served by Houston Bush Intercontinental, a large hub, and Houston Hobby, a medium hub) and Dallas-Fort Worth (approximately 220 road miles to the north served by Dallas/Fort Worth International, a large hub, and Dallas Love Field, a medium hub).

Table 1 provides data on airline service and passenger numbers at ABIA and selected other Texas airports.

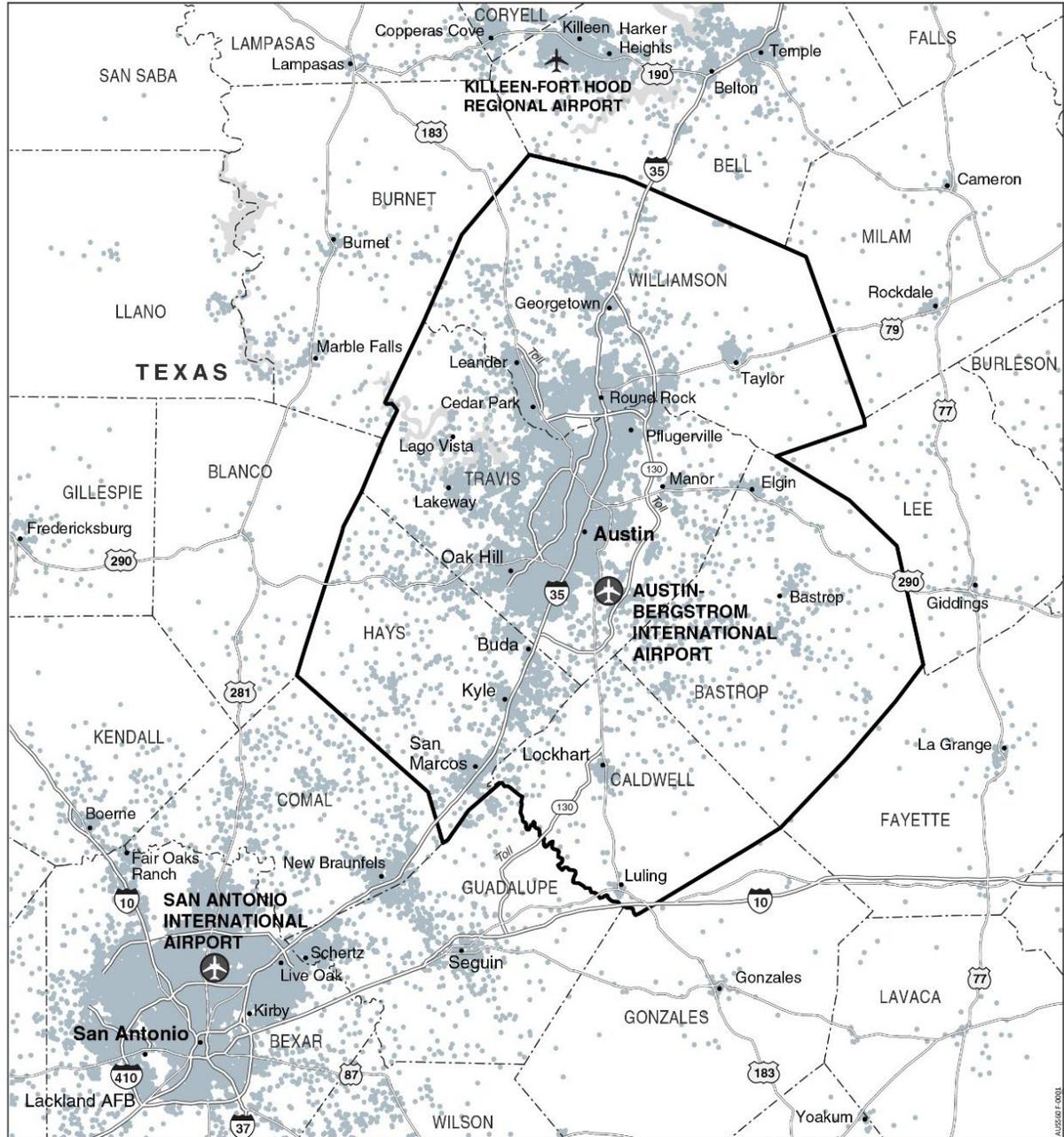
San Antonio International Airport serves the San Antonio-New Braunfels MSA with a 2017 population of approximately 2.5 million. Passengers originating their journeys from the Austin and San Antonio airport service regions have airline service options from either airport. As shown in Table 1, in July 2018, 65% more scheduled departing seats were provided from ABIA than from San Antonio International. Between FY 2010 and FY 2018, the number of domestic originating passengers at ABIA increased 79.9% compared with 20.0% at San Antonio International.

Killeen-Fort Hood Regional Airport, 75 road miles to the north of the Airport, is classified as a nonhub airport by the FAA. The Killeen airport is conveniently accessible to northern parts of the MSA, but, as shown in Table 1, provides only limited airline service by regional airlines.

### HISTORICAL SOCIOECONOMIC INDICATORS

In general, the population and economy of an airport's service region are the primary determinants of originating passenger numbers at the airport. Connecting passenger numbers are primarily determined by airline management decisions to provide connecting service at the airport. As discussed in the later section "Airline Traffic Analysis," approximately 95% of ABIA's passengers are originating, and 5% connect between flights. Approximately 53% of originating passengers are residents of the MSA and 47% are visitors.

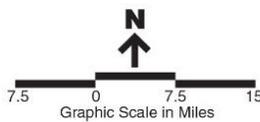
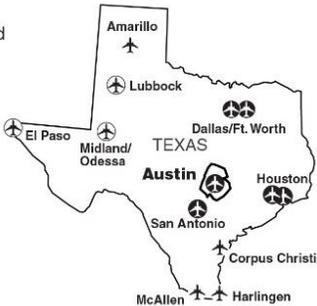
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**LEGEND**

- Airport Service Region (Austin-Round Rock Metropolitan Statistical Area)
- Population density: 1 dot represents 100 people
- Large or medium hub airport as defined by the FAA for 2017
- Small hub airport as defined by the FAA for 2017
- Other commercial service airport
- County boundary

Source: U.S. Census data, 2010.



Road miles from Austin to:	
Corpus Christi	221
Dallas (Love)	210
Dallas/Ft. Worth (DFW)	222
Houston (Bush)	161
Houston (Hobby)	167
Killeen-Fort Hood	75
Midland/Odessa	333
San Antonio	83

Figure 2  
**AIRPORT SERVICE REGION**  
Austin-Bergstrom International Airport

Table 1  
**AIRLINE SERVICE AT SELECTED TEXAS AIRPORTS**  
 July 2018 and Fiscal Year ended September 30

	AUS	DFW	IAH	HOU	DAL	SAT	GRK
Driving distance from AUS (miles)	--	222	161	167	210	83	75
Average daily departing seats (a)							
Domestic	27,843	102,834	54,762	24,007	28,175	16,490	563
International	<u>1,142</u>	<u>17,072</u>	<u>20,879</u>	<u>2,200</u>	--	<u>1,114</u>	--
Total	28,985	119,906	75,641	26,207	28,175	17,604	563
Average daily departures (a)							
Domestic	191.4	827.1	485.8	164.0	195.8	119.5	9.6
International	<u>6.2</u>	<u>104.2</u>	<u>134.3</u>	<u>14.5</u>	--	<u>7.7</u>	--
Total	197.5	931.3	620.1	178.5	195.8	127.2	9.6
Airports served nonstop (a)							
Domestic	68	167	111	48	56	39	3
International	<u>8</u>	<u>54</u>	<u>68</u>	<u>11</u>	--	<u>5</u>	--
Total	76	221	179	59	56	44	3
Domestic originating passengers (in thousands) (b)							
FY 2010	3,619	9,539	5,853	3,077	2,644	3,420	191
FY 2018	6,511	12,941	7,746	4,328	5,152	4,105	121
Percent change	79.9%	35.7%	32.3%	40.7%	94.9%	20.0%	(36.5)%

AUS = Austin-Bergstrom International Airport  
 DFW = Dallas/Fort Worth International Airport  
 IAH = George Bush Intercontinental Airport  
 HOU = William P. Hobby Airport  
 DAL = Dallas Love Field  
 SAT = San Antonio International Airport  
 GRK = Killeen-Fort Hood Regional Airport

Note: Columns may not add to totals shown because of rounding.

(a) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018. Data shown are for scheduled domestic and international service in July 2018.

(b) U.S. Department of Transportation, *Air Passenger Origin-Destination Survey*, reconciled to Schedules T100 and 298C T1, accessed October 2018. Data shown are for the 12 months ended September 30.

The following subsections provide a discussion of the economic basis for passenger traffic at the Airport in terms of historical MSA socioeconomic data and the employment profile of the MSA by industry sector.

Table 2 shows historical data on population, nonagricultural employment, and per capita income for the MSA and the nation.

Table 2  
**HISTORICAL SOCIOECONOMIC DATA**  
 Austin-Round Rock MSA and United States

	Population (thousands) (a)		Nonagricultural employment (thousands) (b)		Per capita income (2017 dollars) (c)	
	MSA	United States	MSA	United States	MSA	United States
	2000	1,265	282,162	684	132,024	\$46,843
2001	1,321	284,969	685	132,087	48,475	43,722
2002	1,348	287,625	669	130,649	46,415	43,372
2003	1,376	290,108	664	130,347	45,145	43,537
2004	1,410	292,805	679	131,787	43,830	44,445
2005	1,453	295,517	705	134,051	45,295	44,994
2006	1,515	298,380	736	136,453	47,029	46,342
2007	1,578	301,231	772	137,999	46,812	47,104
2008	1,634	304,094	791	137,242	47,379	46,569
2009	1,682	306,772	774	131,313	44,794	44,884
2010	1,727	309,338	786	130,362	45,829	45,577
2011	1,781	311,644	812	131,932	47,680	46,560
2012	1,835	313,993	844	134,175	49,931	47,597
2013	1,884	316,235	884	136,381	49,728	47,166
2014	1,942	318,623	923	138,958	51,948	48,690
2015	2,001	321,040	963	141,843	53,485	50,613
2016	2,061	323,406	1,001	144,352	54,054	50,893
2017	2,116	325,719	1,033	146,624	54,817	51,640
Average annual percent increase (decrease)						
2000-2003	2.8%	0.9%	(1.0)%	(0.4)%	(1.2)%	(0.1)%
2003-2007	3.5	0.9	3.8	1.4	0.9	2.0
2007-2010	3.1	0.9	0.6	(1.9)	(0.7)	(1.1)
2010-2017	2.9	0.7	4.0	1.7	2.6	1.8
2000-2017	3.1	0.8	2.5	0.6	0.9	1.0

MSA = Metropolitan Statistical Area comprising the 5 counties shown on Figure 2 for all years.

n.a. = not yet available.

Notes: Population numbers are estimated as of July 1 each year.

Calculated percentages may not match those shown because of rounding.

(a) Source: U.S. Department of Commerce, Bureau of the Census, [www.census.gov](http://www.census.gov), accessed October 2018.

(b) Source: U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), accessed October 2018. Employment numbers were revised and differ from the 2016 report.

(c) Source: U.S. Department of Commerce, Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), accessed October 2018. Adjusted to 2017 dollars using the U.S. Department of Labor *Consumer Price Index for All Urban Consumers*.

## Population

Since 2000, the MSA has been one of the fastest growing major metropolitan areas in the nation. Between 2000 and 2017, the population of the MSA increased an average of 3.1% per year, compared with an increase of 0.8% per year for the nation. Population growth in the MSA between 2000 and 2007 averaged 3.2% per year and slowed only slightly between 2007 and 2010 as the economic recession reduced in-migration (3.1% per year, on average). Between 2010 and 2017, the population of the MSA increased an average of 2.9% per year, compared with an increase of 0.7% per year for the nation. During that 7-year period, population growth in the MSA was the highest among the nation's 35 largest MSAs.

Much of the MSA population growth resulted from in-migration caused by employment opportunities, a relatively low cost of living, and a high quality of life. Austin was ranked the number one place to live by U.S. News and World Report in both 2017 and 2018.

Austin's population is young, with 65.9% of the 2017 population under 45 (compared with 58.5% for the nation as a whole), and educated, with 44.8% of the adult population of the MSA holding a bachelor's or more advanced degree (compared with 32.0% for the nation).

According to the Texas State Demographer and the Austin Chamber of Commerce, the Austin-Round Rock MSA is projected to grow at an annual rate of 2.8% between 2017 and 2045. This rate of growth would nearly double the MSA's population within 25 years.

## Nonagricultural Employment

The MSA has similarly experienced much stronger growth in employment than for the nation as a whole. During and after the 2001 recession, MSA employment decreased more than for the nation, but since 2003, employment growth has been consistently stronger than for the nation. Employment in the MSA increased 16.3% between 2003 and 2007 (compared with a 5.9% increase for the nation), was less affected by the 2008-2009 recession, increasing 1.7% between 2007 and 2010 (compared with a 5.5% decrease for the nation), and increased 31.4% between 2010 and 2017 (compared with an 12.5% increase for the nation). Employment by industry sector is discussed in the later section "Economic Profile by Industry Sector."

## Unemployment Rates

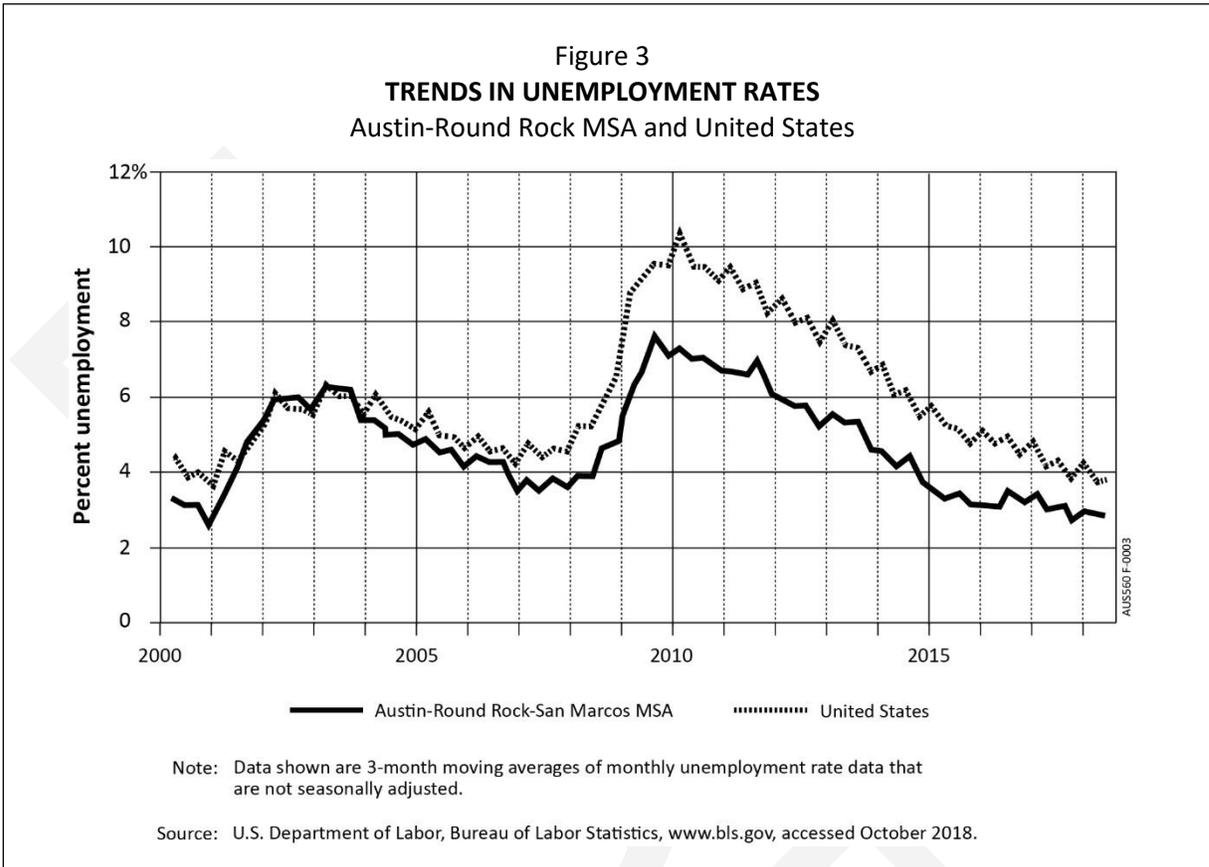
As shown in Figure 3, the 2001 recession affected the MSA more severely than the nation, and MSA and unemployment rates were similar to national rates between 2001 and 2007. Since then, average unemployment rates for the MSA have been consistently lower than those for the United States.

The unemployment rate in the MSA increased sharply beginning in the third quarter of 2008, later than experienced in most of the nation, and peaked at 7.3% in the first quarter of 2010 (compared with a peak rate of 10.4% for the nation). In the second quarter of 2018, the MSA unemployment rate was 2.9%, compared with a national rate of 3.8%.

## Per Capita Income

Strong economic growth in the MSA occurred primarily after the 2008-2009 economic recession. Between 2000 and 2010, per capita income for the MSA decreased an average of 0.4% per year (compared with an increase of 0.4% per year for the nation). Between 2010 and 2017, however, per

capita income for the MSA recovered, increasing an average of 2.6% per year (compared with 1.8% per year for the nation).



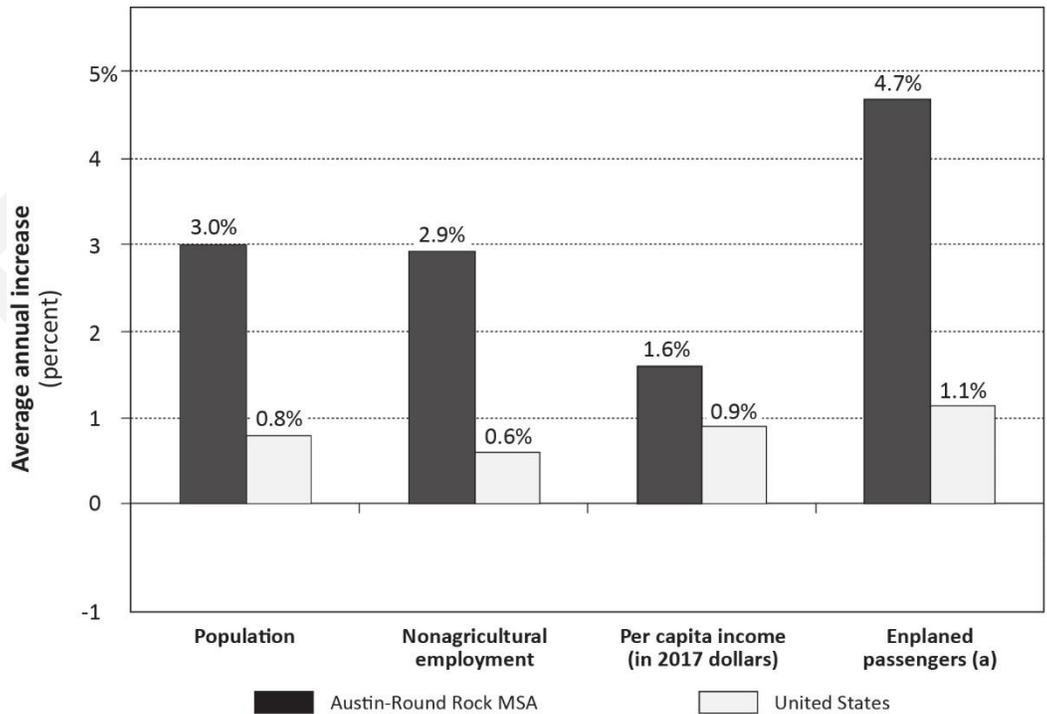
**Cost of Living**

The MSA has consistently had a lower cost of living than the nation as a whole, a key factor in attracting businesses and residents. The American Chamber of Commerce Researchers Association (ACCRA), reported a composite 2017 cost of living index of 97.3 for Austin, compared with a national index of 100.0. Austin ranks lower in costs related to grocery, utilities, transportation, and health care, but ranks slightly higher in housing costs.

**Historical Socioeconomic Indicators and Enplaned Passengers**

Figure 4 presents a comparison of historical growth rates for population, nonagricultural employment, per capita income, and enplaned passengers in the MSA and the United States between 2007 and 2017. Over the 10 years, enplaned passenger numbers at the Airport increased at an average annual rate of 4.7%, comparable to the rates for population and employment in the MSA.

**Figure 4**  
**CHANGES IN ECONOMIC INDICATORS AND ENPLANED PASSENGERS**  
 Austin-Round Rock MSA and United States  
 (2007-2017)



Note: (a) Enplaned passengers for the 12 months ended September 30.

Sources: Population: U.S. Department of Commerce, Bureau of the Census, [www.census.gov](http://www.census.gov), accessed May 2019.

Employment: U.S. Department of Labor, Bureau of Labor Statistics, [www.bls.gov](http://www.bls.gov), accessed October 2018.

Per capita income: U.S. Department of Commerce, Bureau of Economic Analysis, [www.bea.gov](http://www.bea.gov), accessed December 2018. Adjusted to 2017 dollars using the U.S. Department of Labor, *Consumer Price Index for All Urban Consumers*.

Enplaned passengers: City of Austin, Department of Aviation and U.S. Department of Transportation, Schedule T100, accessed October 2018.

**EMPLOYMENT BY INDUSTRY SECTOR**

Table 3 presents the changes in the distribution of nonagricultural employment by industry sector in the MSA and the United States for 2007 (before the 2008-2009 recession), 2010 (after the recession) and 2017. The unique combination of industries within the MSA provided for comprehensive employment growth averaging 4.0% per year between 2010 and 2017. Over that period the MSA experienced employment growth across all industry sectors.

Table 4 lists the largest private employers in the MSA in 2017. The companies listed accounted for approximately 10% of total nonagricultural employment in the MSA in 2017, with the remaining 90% accounted for by smaller businesses and organizations and public sector employers. The following

subsections provide a summary of employment in each industry sector, discussed in descending order of Austin MSA employment share.

Table 3  
**NONAGRICULTURAL EMPLOYMENT BY INDUSTRY SECTOR**  
 Austin-Round Rock MSA and United States  
 (calendar years)

Industry sector	Share of total 2017		Average annual percent increase (decrease)			
			2007-2010		2010-2017	
	Austin MSA	United States	Austin MSA	United States	Austin MSA	United States
<b>Services</b>						
Professional and business services	17.1%	14.0%	1.1%	(2.3)%	6.5%	2.9%
Leisure and hospitality	12.2	10.9	2.6	(0.9)	5.7	3.0
Education and health services	11.6	15.8	4.3	2.3	4.6	2.2
Other services	<u>4.3</u>	<u>3.9</u>	<u>5.5</u>	<u>(1.0)</u>	<u>3.3</u>	<u>1.2</u>
Subtotal services	45.3%	44.7%	2.8%	(0.3)%	5.5%	2.5%
<b>Government</b>	17.4%	15.2%	2.8%	0.4%	0.5%	(0.1)%
Trade, transportation, and utilities	17.1	18.8	0.2	(2.6)	4.1	1.6
Mining, logging, and construction	6.0	5.2	(6.5)	(9.3)	6.2	3.0
Financial activities	5.8	5.8	(1.6)	(2.7)	4.7	1.4
Manufacturing	5.5	8.5	(7.1)	(6.0)	1.1	1.1
Information	<u>2.9</u>	<u>1.9</u>	<u>(3.7)</u>	<u>(3.7)</u>	<u>6.1</u>	<u>0.5</u>
Total	100.0%	100.0%	0.6%	(1.9)%	4.0%	1.7%
Total Austin MSA employment	1,032,700					

Note: Columns may not add to totals shown because of rounding.

Source: U.S. Department of Labor, Bureau of Labor Statistics website, [www.bls.gov](http://www.bls.gov), accessed November 2018.

Table 4  
**LARGEST AUSTIN AREA PRIVATE SECTOR EMPLOYERS**  
 2017

	Company	Head- quartered in MSA	Fortune 500 company	Principal industry	Number of area employees
1	H-E-B			Supermarkets	13,400
2	Dell Technologies	*	*	Computer technology	12,000
3	Ascension Seton (a)	*		Health-care services	10,300
4	Wal-Mart Stores, Inc.		*	Retail	9,100
5	St. David's Healthcare	*		Healthcare services	9,000
6	Apple, Inc.		*	Information technology	6,000
7	IBM Corporation		*	Information technology	6,000
8	NXP Semiconductors (b)			Semiconductors	4,000
9	Samsung Austin Semiconductor, LLC			Semiconductors	3,500
10	Whole Foods Market, Inc.	*		Supermarkets	3,000
11	AT&T Inc.		*	Telecommunications	2,800
12	Keller Williams Realty Inc. (KWRI)	*		Real Estate	2,500
13	National Instruments Corporation	*		Computer technology	2,500
14	Accenture Plc			Professional services	2,300
15	Baylor Scott & White Health			Health-care services	2,000
16	Applied Materials, Inc.		*	Semiconductors	1,800
17	Charles Schwab Corporation		*	Financial services	1,800
18	Austin Regional Clinic PA	*		Health-care services	1,700
19	Flex, LTD (c)			Electronic manufacturing services	1,600
20	Wells Fargo		*	Financial services	1,600
21	Advanced Micro Devices, Inc.		*	Semiconductors	1,600
22	Goodwill Industries of Central Texas	*		Department store (nonprofit)	1,600
23	HomeAway, Inc.	*		Vacation rental marketplace	1,500
24	Intel Corporation		*	Computer technology	1,500
25	Randalls Food Markets			Supermarkets	1,400

Notes: Ranking of area employers based on number of employees as of June 2017. Government entities are not shown. Includes full-time and part-time employees.

(a) Seton Healthcare Family changed its name to Ascension Seton in 2017.

(b) Freescale Semiconductor, Inc. was acquired by NXP Semiconductors in 2015.

(c) Flextronics America changed its name to Flex, LTD in 2015.

Sources: Company ranking: *Austin Business Journal*, "2017-2018 Book of Lists." Only companies that responded to the survey are included.

Status as a Fortune 500 company for 2018: [www.fortune.com](http://www.fortune.com), accessed October 2018.

## Services

As in the United States as a whole, the services sector (professional, business, education, health, leisure, hospitality, and other services combined) is the largest industry sector in the MSA. Since 2007, the services sector has accounted for two-thirds of the increase in MSA employment. The sector accounted for 45.3% of MSA employment in 2017, an increase from 38.4% in 2007.

In contrast to most other industry sectors, the services sector added jobs between 2007 and 2010, and strong growth continued between 2010 and 2017. Employment in the services sector increased by 225,600 jobs between 2000 and 2017, more than any other sector.

**Professional and Business Services.** Of the 171,100 services sector jobs added in the MSA between 2007 and 2017, 66,900 were in the professional and business services sector, representing a 61.2% increase. This increase in jobs was higher than in any other sector, in both absolute and percentage terms. Many of these jobs were in the professional, scientific, and technical subsector and included jobs in such fields as engineering, computer science, software development, information technology, biosciences, and health technology that support key goods-producing and service-providing industries.

According to the Austin Chamber of Commerce, the Austin area supports 5,700 technology companies and 130,000 workers. Dell, headquartered in Round Rock, is one of the MSA's largest private sector employers, developing and manufacturing computer technology solutions and products. Other major employers engaged in engineering, design, research, and development in the computer, data analytics, information technology and other high-technology industries are Apple, Advanced Micro Devices, Hewlett-Packard, IBM, Intel, and National Instruments.

**Leisure and Hospitality Services.** Between 2007 and 2017, the number of Austin MSA jobs in leisure and hospitality services increased by 46,800 (59.2%). Employment in this subsector grew by 6,400 jobs between 2007 and 2010 and by additional 40,400 between 2010 and 2017.

Tourism has become an important contributor to the MSA's economy. Austin bills itself as the "Live Music Capital of the World." Each spring the city hosts the South by Southwest (SXSW) Music-Film-Interactive conference and festival, and each fall it hosts the Austin City Limits Music Festival, a two-week-long celebration of music performance. In 2012, the 1,500-acre Circuit of the Americas motorsports venue opened. The venue hosts the annual Formula One United States Grand Prix race among other sports and entertainment events. The Austin Convention Center, located in downtown Austin, provides 370,000 square feet of exhibit and meeting space convenient to 11,000 hotel rooms and various attractions and entertainment districts.

**Education and Health Services.** Between 2007 and 2017, the number of MSA jobs in the education and health services subsector increased by 42,900 (55.4%). The increases in this subsector are attributable mainly to the region's population growth. Notwithstanding the economic recession, 10,400 jobs were added in the education and health services subsector between 2007 and 2010 and a further 32,500 were added between 2010 and 2017.

The University of Texas at Austin, with a 2018 student enrollment of approximately 51,000, is the tenth largest public four-year university in the nation and employs approximately 24,000 faculty and staff. The university is known as a world-class center of education and research and is an important contributor to the region's economy. Texas State University, located in San Marcos, has a student

population of over 38,000 and employs 3,300 full-time faculty and staff. Approximately another 91,000 students were enrolled at 25 other universities and colleges in the region. Other four-year colleges and universities include Huston-Tillotson University, St. Edward's University, Southwestern University, and Concordia University. Community colleges and technical schools include Austin Community College and Central Texas College.

According to the Austin Chamber of Commerce, the Austin area has 44 hospitals providing 5,450 beds, with the health care industry supporting approximately 101,000 jobs. Major health care employers are Seton Healthcare Family, St. David's Healthcare Partnership, and Baylor Scott & White Healthcare.

Research activities at the University of Texas at Austin, Texas State, and other universities and colleges have been the catalyst for the development of life sciences industries in the MSA. Approximately 240 companies provide approximately 15,000 jobs in the biotechnology, pharmaceutical, medical device, healthcare information technology, and related industries. Austin is home to Dell Medical School at the University of Texas, which accepted its first class in 2016. Adjacent to the medical school is a new teaching hospital that opened in 2017.

### **Government**

Austin is the capital of Texas, and the government sector accounted for 17.4% of MSA employment in 2017, compared with 15.2% for the nation as a whole. The share of MSA employment related to the government has decreased, from 28.7% in 1990, as the MSA's economy has diversified. In 2017, local government accounted for 51.7% of government sector jobs, State government for 40.9%, and the federal government for 7.3%. Between 2007 and 2017, 20,000 jobs were added in the government sector.

The State of Texas is the largest single employer in the MSA, with 73,600 employees (excluding the 24,000 employees at the University of Texas at Austin who are accounted for in the services sector). An Internal Revenue Service regional processing center is the largest single federal employer, with over 5,000 employees. The largest local government employers are the City of Austin and the Austin and Round Rock independent school districts.

### **Trade, Transportation, and Utilities**

The trade, transportation, and utilities sector accounted for a smaller share of employment in the MSA than in the nation as a whole in 2017 (17.1% versus 18.8%). Employment in the sector increased by 44,400 jobs between 2007 and 2017.

International trade is an important component of the MSA economy. Exports from the MSA include semiconductors, electronics, software, and information technology. A foreign trade zone covers the MSA and provides for the establishment of secure sites to allow qualifying export-import businesses to defer or avoid U.S. Customs duties and certain other taxes. The economy of the MSA benefited from the 1993 passage of the North American Free Trade Agreement (NAFTA), which reduced tariffs and trade barriers among Canada, Mexico, and the United States. In September 2018, Canada, Mexico, and the United States agreed to the terms of a free-trade agreement, to be called the United States-Mexico-Canada Agreement (USMCA), that will succeed NAFTA. The agreement is subject to Congressional ratification. The MSA's location on I-35 positions it to benefit particularly from trade with Mexico. Other important international trading partners are China, Taiwan, Malaysia, and South Korea.

## **Mining, Logging, and Construction**

The mining, logging, and construction sector accounted for 6.0% of MSA employment in 2017, a higher share than that of the nation as a whole (5.2%). MSA employment in the sector increased by 7,800 jobs between 2000 and 2007 but lost 9,100 jobs during the recession. Decreases in construction employment in the MSA during the 2008-2009 recession were smaller than in the nation as a whole, and housing prices were reduced less (in part because housing prices in the MSA did not increase as much as those in the nation during the residential housing boom). Between 2010 and 2017, mining, logging, and construction employment in the MSA increased by 21,100 jobs, well above pre-recession levels.

## **Financial Activities**

The financial activities sector accounted for 5.8% of both MSA and national employment in 2017. Between 2000 and 2007, employment in the sector increased by 9,800 jobs. As a result of the national banking and credit crisis, between 2007 and 2010, the sector lost 3,200 jobs. Between 2010 and 2017, the sector fully recovered, gaining 16,300 jobs. Large employers in the sector are Charles Schwab, JP Morgan Chase, Progressive Insurance, State Farm Insurance, and Wells Fargo.

## **Manufacturing**

The manufacturing sector accounted for 5.5% of MSA employment in 2017, a lower share than for the nation as a whole (8.5%). MSA employment in the manufacturing sector decreased by 22,300 jobs between 2000 and 2007 and by a further 13,100 jobs between 2007 and 2010 before recording an increase of 4,300 jobs between 2010 and 2017. Over the 2007-2017 period as a whole, MSA employment in the manufacturing sector decreased by 8,800 jobs, the only sector to experience a decrease over the time period.

Key manufacturers in the MSA produce computer, semiconductor, and electronic products. MSA employers in these industries include Dell, Applied Materials, Flex, NXP Semiconductor, Samsung, and 3M. Although still one of the largest private sector employers in the MSA, Dell has reduced its manufacturing employment in the MSA since 2007 as its share of the personal computer market has decreased and it has moved manufacturing overseas.

## **Information**

The information sector accounted for 2.9% of MSA employment in 2017, higher than its share of national employment (1.9%). Between 2007 and 2017 the sector had a net gain of 7,800 jobs. Major employers in the information sector are AT&T, Oracle, Spectrum, and Visa.

## **ECONOMIC OUTLOOK**

### **Outlook for the U.S. Economy**

Between the fourth quarter of 2007 and the second quarter of 2009, the U.S. economy, as measured by real gross domestic product (GDP), contracted 4.1%. National GDP growth resumed in the second half of 2009, job growth began in 2010, but not until 2014 did total employment exceed pre-recession levels. Between 2014 and 2018, national GDP increased at an average rate of 2.4% per year.

Continued U.S. economic growth will depend on, among other factors, stable financial and credit markets, a stable value of the U.S. dollar versus other currencies, stable energy and other commodity prices, the ability of the federal government to reduce historically high deficits, inflation remaining

within the range targeted by the Federal Reserve, and growth in the economies of foreign trading partners.

The Perryman Group published forecasts for the national economy in October 2018. As shown in Table 5, nationwide nonagricultural employment is forecast to increase 1.6% in 2018 and at an average annual rate of 1.4% in 2018 through 2023.

	Historical average annual increase	Forecast annual increase (a)	
	<u>2000-2017 (b)</u>	<u>2017-2018</u>	<u>2018-2023</u>
Nonagricultural employment			
Austin-Round Rock MSA (c)	2.5%	3.4%	2.8%
United States	0.6	1.6	1.4

MSA = Metropolitan Statistical Area comprising the 5 counties shown on Figure 2 for all years

(a) Source: The Perryman Group, October 2018.  
 (b) Source: U.S. Department of Labor, Bureau of Labor Statistics (see Table 2).  
 (c) Forecast growth rate for wage and salary employment.

### Outlook for the Austin-Round Rock MSA Economy

The Austin-Round Rock MSA experienced the effects of economic recession between 2007 and 2010, although job losses in the MSA were much less severe than for the nation as a whole and recovery from the recession was stronger. Indeed, the MSA's economy has had one of the strongest recoveries among the nation's 50 largest MSAs. The MSA's nonagricultural employment in 2017 was 33.8% higher than the 2007 pre-recession level. For the nation, employment in 2017 was 6.3% higher than in 2007.

Continued economic growth in the MSA will generally depend on the same factors as those for the nation, although the MSA is seen as having particular advantages that will underpin its economic prosperity. In particular, a business-friendly economic environment, relatively low living costs, and a quality of life that will allow a young, well-educated labor force to be attracted and retained are seen as keys for growth. Industries that Austin targets for growth are advanced manufacturing, clean energy and power technologies, data management, life sciences, and creative and digital media.

As shown in Table 5, The Perryman Group forecasts that nonagricultural employment in the MSA will increase 3.4% in 2018 and then increase at 2.8% between 2018 and 2023, twice the average rate of the nation's 1.4%.

## AIRLINE TRAFFIC ANALYSIS

### HISTORICAL AIRLINE TRAFFIC AND SERVICE

#### Enplaned Passengers

Table 6 presents historical data on numbers of enplaned passengers and passenger aircraft departures at the Airport. Unless otherwise noted, all data in this section are presented by the City's Fiscal Year (FY) ended September 30.

Between FY 2000 and FY 2003, the number of enplaned passengers at the Airport decreased at an average yearly rate of 3.5% as a result of the 2001 economic recession and the decline in airline travel following the September 11 attacks. With the return of passenger confidence in the security of airline travel and the widespread availability of low fares, traffic growth returned. Between FY 2003 and FY 2008, enplaned passengers at the Airport increased an average of 6.4% per year, compared with 3.3% per year for the nation as a whole.

Between FY 2008 and FY 2009, enplaned passenger numbers at the Airport decreased 8.2% as the airlines reduced seat capacity in response to the contraction of demand during the 2008-2009 recession and increases in operating expenses. With the resumption of economic growth, enplaned passenger numbers at the Airport increased an average of 7.3% per year between FY 2009 and FY 2018, with the passenger number in FY 2018 exceeding the FY 2007 pre-recession number by 81.6%. For the nation, the number of enplaned passengers in FY 2018 was 17.6% above the FY 2007 number. Enplaned passengers at the Airport increased 15.0% in FY 2018, the ninth consecutive year of enplanement growth. The Airport accounted for 0.8% of passengers enplaned at all U.S. airports in FY 2017, an increase from 0.5% in FY 2000.

In FY 2018, approximately 95% of enplaned passengers at the Airport originated their airline travel at the Airport and 5% connected between flights.

Since 2001, growth in passenger numbers at ABIA has been among the strongest at medium-sized U.S. airports. Among the 31 U.S. airports classified as medium hubs by the FAA (those with between approximately 2 million and 8 million enplaned passengers in calendar year 2017), ABIA had the second largest absolute increase in the number of enplaned passengers between 2001 and 2017 (3.4 million). Between FY 2017 and FY 2018, the number of enplaned passengers at the Airport increased 15.0% while the number of enplaned passengers at all U.S. airports combined increased 5.0%.

Since FY 2000, the number of passenger aircraft departures at the Airport has increased at an average rate lower than the rate of increase in enplaned passengers as the average seating capacity of airline aircraft serving the Airport and passenger load factors have both increased. The average number of passengers per departure increased from 79.0 in FY 2000 to 119.1 in FY 2018.

Table 6  
**HISTORICAL ENPLANED PASSENGERS AND AIRCRAFT DEPARTURES**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30

Fiscal Year	Enplaned passengers (a)	Annual increase (decrease)	Passenger aircraft departures		Enplaned passengers per departure
			Annual	Average daily	
2000	3,655,588		46,260	126.4	79.0
2001	3,679,949	0.7%	45,326	124.2	81.2
2002	3,264,847	(11.3)	41,959	115.0	77.8
2003	3,282,670	0.5	43,747	119.9	75.0
2004	3,482,196	6.1	47,207	129.0	73.8
2005	3,715,811	6.7	48,668	133.3	76.4
2006	3,981,081	7.1	50,663	138.8	78.6
2007	4,262,698	7.1	53,828	147.5	79.2
2008	4,473,485	4.9	56,597	154.6	79.0
2009	4,107,593	(8.2)	47,848	131.1	85.8
2010	4,256,806	3.6	46,745	128.1	91.1
2011	4,524,641	6.3	48,398	132.6	93.5
2012	4,662,738	3.1	48,372	132.2	96.4
2013	4,928,979	5.7	50,554	138.5	97.5
2014	5,275,464	7.0	51,877	142.1	101.7
2015	5,792,387	9.8	55,557	152.2	104.3
2016	6,180,464	6.7	56,349	154.0	109.7
2017	6,729,108	8.9	58,503	160.3	115.0
2018	7,739,811	15.0	65,000	178.1	119.1
Average annual percent increase (decrease)					
2000-2003	(3.5)%		(1.8)%		
2003-2008	6.4		5.3		
2008-2009	(8.2)		(15.5)		
2009-2018	7.3		3.5		
2000-2018	4.3		1.9		

Note: Calculated percentages may not match those shown because of rounding.

(a) Excludes through passengers.

Source: City of Austin, Department of Aviation records.

### International Passengers

Passengers enplaned on international flights represent a small, but growing share of traffic at the Airport. Between FY 2013 and FY 2018 the number of international enplaned passengers increased nine-fold to approximately 210,000 as new international service was added, described in the later section "International Airline Service". In FY 2018 international passengers represented 2.7% of all enplaned passengers at the Airport.

## Airline Competition and Market Shares

Table 7 lists historical airline shares of enplaned passengers. Eight of the ten largest U.S. passenger airlines (all except Spirit Airlines and Hawaiian Airlines) and six foreign-flag airlines served the Airport as of July 2018. In all discussions of airline service and passenger traffic by airline in this report, unless otherwise noted, data for merged airlines are accounted for with the surviving airline (i.e., America West Airlines, Trans World Airlines, and US Airways with American; Northwest Airlines with Delta Air Lines; Continental Airlines with United Airlines; Midwest Airlines with Frontier Airlines; AirTran Airways with Southwest Airlines, and Virgin America with Alaska).

Southwest's share of enplaned passengers in FY 2018 was 35.7%, up from FY 2005 (33.1%) while American's share in FY 2018 was 17.9%, down from 30.3% in FY 2005. New and expanded service by the other airlines, particularly Frontier, JetBlue, Alaska, and Allegiant has replaced reduced service by American and has resulted in diversified airline service and passenger shares.

## Domestic Airline Service and Originating Passengers

Table 8 presents data on domestic passengers and airline service for the top 25 city markets as ranked by domestic originating passengers at the Airport in the 12 months ended September 30, 2018. Also shown is a comparison of the numbers of average daily scheduled seats and departures by airport as scheduled for July 2008 and July 2018 and the airlines providing nonstop service from the Airport. The top five destinations—New York, Los Angeles, San Francisco, Denver, and Chicago—accounted for 30.8% of originating passengers at the Airport. Daily nonstop service was provided from the Airport to each of the 25 destinations. Competing service by two or more airlines was provided to 23 of the 25 destinations and competing service by three or more airlines was provided to 16 of the 25 destinations. In 2008, only 11 of the top 20 destinations had competing service. Airports for which there is a large difference between the numbers of originating passengers and departing seats (e.g., Dallas/Fort Worth) are hubs at which many passengers from ABIA connect to other flights. Figure 5 shows the airports served nonstop from the Airport in July 2018.

Figure 6 shows domestic originating passengers and average domestic airfares at the Airport from FY 2005 to FY 2018. The average fare paid for domestic flights at AUS peaked in FY 2014 at \$185.52 and has trended downward (an average -3.1% per year) through FY 2018. Domestic originating passengers over the same period increased 10.2% per year, on average. The decrease in average fare paid and increase in passengers coincide with the increase in service by Frontier and other new entrant airlines.

The average airfares shown in Figure 6, as reported by the airlines to the U.S. DOT, exclude charges for optional services, such as checked baggage, preferred seating, in-flight meals, entertainment, and ticket changes. Such charges have become widespread in the airline industry since 2006. As a result, the average airfares shown understate the amount actually paid by airline passengers for their travel. Optional service charges that were previously included in the ticket price are not all separately reported to the U.S. DOT. They have been estimated by industry analysts to amount to an effective average surcharge on domestic airfares of approximately 5% of ticket fare revenues, although the percentage varies widely by airline and market.

Domestic originating passengers at all U.S. Airports, combined, increased an average of 3.6% per year, from FY 2010 to FY 2018 compared with an average increase of 7.6% per year at AUS. The average domestic fare paid at AUS is typically within five percent of the national average and has increased at a slightly slower rate (0.8% vs. 1.0%) since FY 2010.

### International Airline Service

As of July 2018, three airlines provided nonstop daily international service from ABIA. British Airways has served London Heathrow since March 2014, Air Canada has served Toronto since May 2015, and Aeromexico has served Mexico City since November 2016. Seasonal international service is provided to Cancun and Los Cabos by Southwest, to Frankfurt by Condor, and to London Gatwick by Norwegian. In August 2016 Volaris started nonstop service three days per week to Guadalajara.

Table 7  
**HISTORICAL AIRLINE SHARES OF ENPLANED PASSENGERS**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30

Airline	2000	2005	2010	2015	2016	2017	2018
Southwest	34.6%	33.1%	36.8%	36.6%	38.4%	37.7%	35.7%
American	33.2	30.3	25.5	21.8	20.8	19.3	17.9
United	16.4	14.1	16.4	16.8	15.7	16.1	15.2
Delta	14.9	15.5	10.4	12.1	12.0	12.5	13.2
Frontier	--	--	2.5	2.8	2.5	3.3	6.4
JetBlue	--	--	5.8	4.8	4.5	4.4	3.8
Alaska	--	--	2.4	3.0	3.2	3.0	3.5
Allegiant	--	--	--	1.0	1.3	1.8	1.9
British Airways	--	--	--	1.0	1.0	0.9	1.0
Norwegian	--	--	--	--	--	--	0.3
Air Canada	--	--	--	0.1	0.3	0.3	0.3
Aeromexico	--	--	--	--	--	0.2	0.3
ViaAir	--	--	--	--	--	0.0	0.1
Volaris	--	--	--	--	--	0.1	0.1
Other (a)	<u>0.9</u>	<u>4.7</u>	<u>0.2</u>	<u>0.1</u>	<u>0.1</u>	<u>0.2</u>	<u>0.3</u>
Airport total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Notes: Columns may not add to totals shown because of rounding. Unless otherwise noted, shares include any affiliates of airlines shown. Percentages of "0.0" indicate a value of less than 0.05%.

(a) The high percentage of "Other" for 2005 is mainly accounted for by Mesa Airlines and SkyWest Airlines, which operated as affiliates of various Signatory Airlines.

Source: City of Austin, Department of Aviation records.

### Operations at the South Terminal

Allegiant relocated from the Barbara Jordan Terminal to the South Terminal when it opened in April 2017 and Frontier relocated to the South Terminal in June 2017. ViaAir started service at the South Terminal in May 2017 but ceased operating at ABIA in May 2019. As scheduled for July 2019, Allegiant serves 8 destinations (averaging 3 flights per day), and Frontier serves 19 destinations (averaging 11 flights per day). Allegiant, Frontier, and ViaAir together, accounted for 8.5% of ABIA's enplaned passengers in FY 2018.

Table 8  
**SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION**  
 Austin-Bergstrom International Airport

Originating passenger rank	Destination <i>Airport</i>	Air miles from AUS	2018 (a)		July 2008 (b)		July 2018 (b)		Airlines providing nonstop service (b)	
			Average daily originating passengers	Percent of originating passengers	Average daily seats	Average daily departures	Average daily seats	Average daily departures	July 2008	July 2018
1	New York									
	Kennedy	1,519	610	3.4%	367	4	880	6	B6, DL	AA, B6, DL
	Newark	1,501	569	3.2	331	3	815	6	UA	WN, UA
	LaGuardia	1,520	129	0.7	--	--	--	--		
	White Plains	1,539	12	0.1	--	--	--	--		
	Islip (MacArthur)	1,559	<u>7</u>	<u>0.0</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		
	Subtotal		1,328	7.4%	698	7	1,694	12		
2	Los Angeles									
	Los Angeles	1,238	858	4.8%	607	5	1,552	11	AA, WN, UA	AA, DL, WN, UA
	Long Beach	1,223	154	0.9	100	1	300	2	B6	B6
	Orange County (John Wayne)	1,209	111	0.6	50	1	--	--	AA	
	Ontario	1,196	120	0.7	136	1	99	1	UA	F9
	Burbank (Bob Hope)	1,241	<u>35</u>	<u>0.2</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		
	Subtotal		1,278	7.2%	893	8	1,950	14		
3	San Francisco									
	San Francisco	1,501	650	3.6%	217	2	1,031	7	B6, UA	AS, WN, UA
	San Jose (Mineta)	1,472	367	2.1	386	3	522	4	AA	AS, F9, WN
	Oakland	1,494	<u>141</u>	<u>0.8</u>	<u>124</u>	<u>1</u>	<u>143</u>	<u>1</u>	WN	WN
	Subtotal		1,159	6.5%	727	6	1,696	12		
4	Denver	775	904	5.1%	1,032	9	1,740	12	F9, WN, UA	F9, WN, UA
5	Chicago									
	O'Hare	977	535	3.0%	887	8	1,029	7	AA, UA	AA, UA
	Midway	972	<u>299</u>	<u>1.7</u>	<u>274</u>	<u>2</u>	<u>428</u>	<u>3</u>	WN	WN
	Subtotal		834	4.7%	1,161	10	1,457	10		

Table 8 (page 2 of 3)  
**SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION**  
 Austin-Bergstrom International Airport

Originating passenger rank	Destination Airport	Air miles from AUS	2018 (a)		July 2008 (b)		July 2018 (b)		Airlines providing nonstop service (b)	
			Average daily originating passengers	Percent of originating passengers	Average daily seats	Average daily departures	Average daily seats	Average daily departures	July 2008	July 2018
6	Washington, D.C.									
	Reagan	1,313	253	1.4	--	--	171	1		WN
	Dulles	1,294	244	1.4	196	3	348	3	UA	F9, UA
	Baltimore/Washington	1,339	<u>219</u>	<u>1.2%</u>	<u>261</u>	<u>2</u>	<u>323</u>	<u>2</u>	WN	WN
	Subtotal		716	4.0%	457	5	841	6		
7	Las Vegas	1,087	628	3.5	460	4	768	5	AA, WN	G4, F9, WN
8	Atlanta	811	575	3.2	803	7	1,833	11	DL	DL, F9, WN
9	Boston									
	Logan	1,695	487	2.7%	150	1	462	3	B6	DL, B6, WN
	Providence (T.F. Green)	1,662	51	0.3	--	--	6	0		F9
	Manchester	1,692	<u>25</u>	<u>0.1</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		
	Subtotal		563	3.2%	150	1	468	3		
10	Dallas/Fort Worth									
	Love Field	189	337	1.9%	1,578	12	1,333	9	AA, WN	WN
	Dallas/Fort Worth	190	<u>200</u>	<u>1.1</u>	<u>2,036</u>	<u>15</u>	<u>1,825</u>	<u>11</u>	AA	AA
	Subtotal		536	3.0%	3,614	27	3,158	20		
11	Seattle-Tacoma	1,768	483	2.7	136	1	615	4	AA	AS, DL, F9
12	Miami									
	Fort Lauderdale	1,102	297	1.7%	224	2	432	3	B6, WN	B6, WN
	Miami	1,103	139	0.8	--	--	280	3		AA
	West Palm Beach	1,095	<u>29</u>	<u>0.2</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>		
	Subtotal		464	2.6%	224	2	712	6		
13	Phoenix	869	480	2.7%	941	8	1,141	8	AA, WN	AA, F9, WN
14	Orlando	992	447	2.5	255	2	507	4	B6, WN	F9, B6, WN
15	San Diego	1,161	405	2.3	257	2	582	4	WN	AS, F9, WN
16	Philadelphia	1,428	275	1.5	137	1	353	2	WN	AA, F9

Table 8 (page 3 of 3)  
**SCHEDULED DOMESTIC AIRLINE SERVICE BY DESTINATION**  
 Austin-Bergstrom International Airport

Originating passenger rank	Destination <i>Airport</i>	Air miles from AUS	2018 (a)		July 2008 (b)		July 2018 (b)		Airlines providing nonstop service (b)	
			Average daily originating passengers	Percent of originating passengers	Average daily seats	Average daily departures	Average daily seats	Average daily departures	July 2008	July 2018
17	Portland, OR	1,712	277	1.6	--	--	361	2		AS, F9, WN
18	Minneapolis-Saint Paul	1,042	288	1.6	150	2	536	4	DL	DL, F9, SY
19	New Orleans	443	284	1.6	92	2	343	2	UA	F9, WN
20	Detroit	1,148	244	1.4	152	2	454	3	DL	DL, F9
21	Nashville	755	213	1.2	244	2	445	3	WN	WN
22	Salt Lake City	1,084	208	1.2	129	2	377	3	DL	DL, F9
23	Raleigh	1,159	205	1.1	132	1	140	1	AA	DL, F9
24	Charlotte	1,030	198	1.1	252	3	738	5	AA	AA, F9
25	St. Louis	721	<u>191</u>	<u>1.1</u>	<u>92</u>	<u>2</u>	<u>235</u>	<u>2</u>	AA	WN
	Top 25 destinations		13,182	73.9%	13,187	114	23,145	157		
	Other destinations		<u>4,656</u>	<u>31.9</u>	<u>4,220</u>	<u>39</u>	<u>5,840</u>	<u>40</u>		
	Total all destinations		17,839	100.0%	17,407	152	28,985	198		

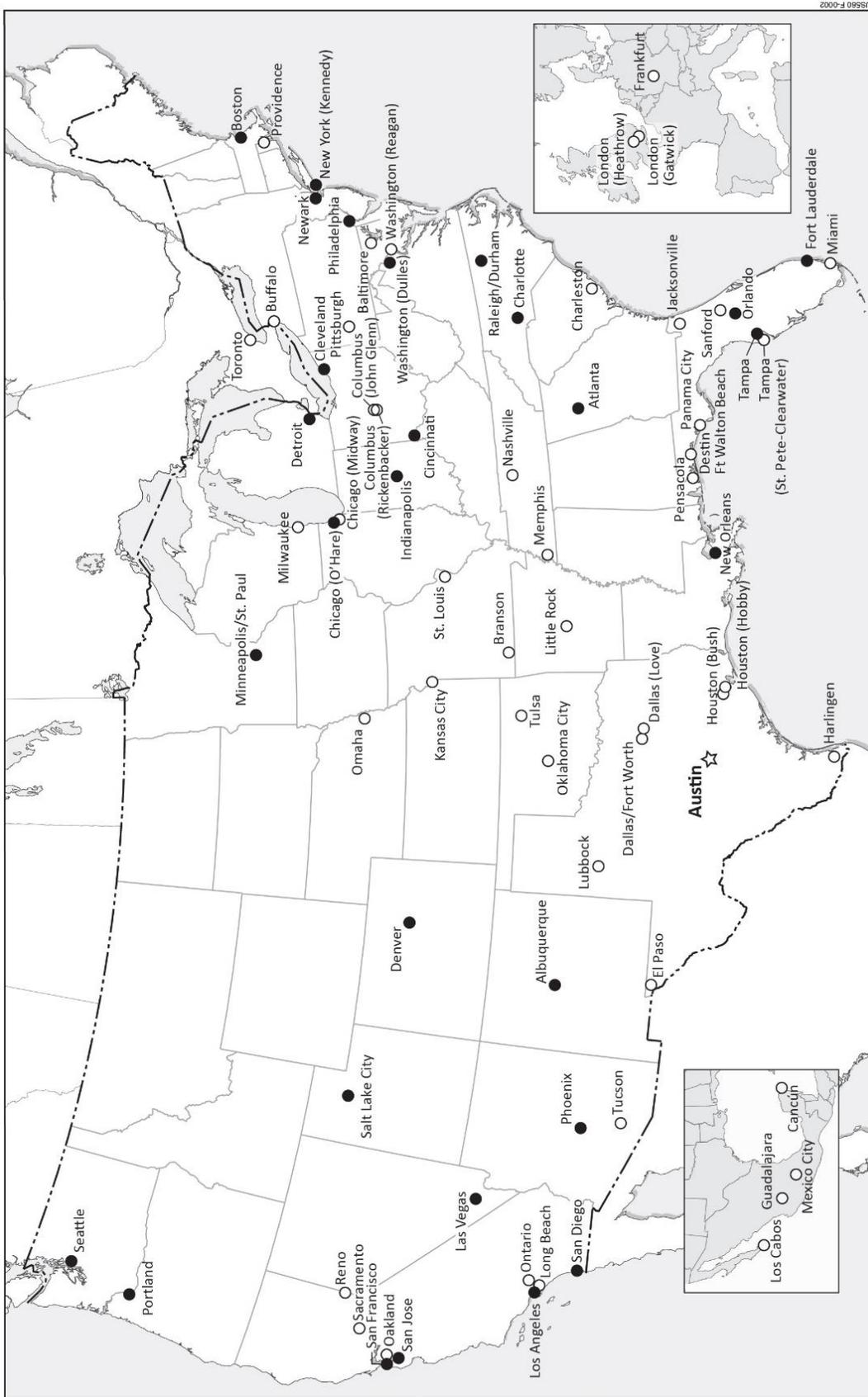
Note: Columns may not add to totals shown because of rounding.

AA=American Airlines, AS=Alaska Airlines, B6=JetBlue Airways, DL=Delta Air Lines, F9=Frontier Airlines, G4=Allegiant, NK=Spirit Airways, SY=Sun Country, UA=United Airlines, WN=Southwest Airlines.

(a) U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100. Originating passengers for the 12 months ended June 30.

(b) OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018.

This preliminary draft report is subject to change and is intended for discussion purposes only. It is not to be made available to parties other than those to whom it has been issued directly and should not be relied upon for securing financing or making investment decisions.



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**LEGEND**

○ Destinations with service by only one airline

● Destinations with service by two or more airlines

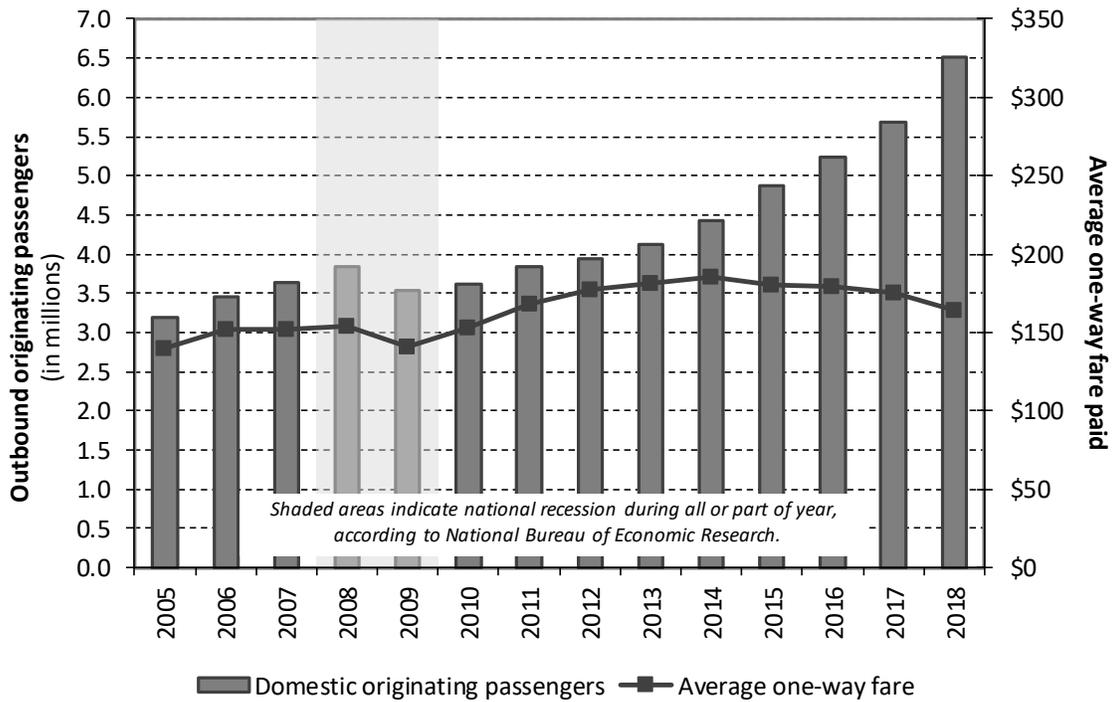
Source: OAG Aviation Worldwide Ltd, OAG Analyser database, accessed October 2018.

Figure 5

**DESTINATIONS SERVED NONSTOP**

Austin-Bergstrom International Airport  
July 2018

**Figure 6**  
**DOMESTIC ORIGINATING PASSENGERS AND AVERAGE FARE PAID**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30



Notes: Average one-way fares excluding taxes, fees, passenger facility charges, and charges for optional services.

Source: U.S. DOT, *Air Passenger Origin-Destination Survey*, reconciled to Schedule T100.

**Air Cargo**

Table 9 presents historical data on enplaned and deplaned air cargo tonnage. Cargo tonnage (carried by all-cargo aircraft and as belly cargo on passenger airline aircraft) decreased between FY 2000 and FY 2018, at an average rate of 3.1% per year. For the nation as a whole, cargo tonnage increased at an average rate of 0.4% per year (for U.S. airlines only) between FY 2000 and FY 2017 (the latest year for which data are available). The decrease in air cargo tonnage is attributable to a combination of factors, including post-September 2001 security restrictions, increased use of time-definite ground transportation modes as the relative operating economics of air and truck modes have changed, changes in patterns of global trade and supply-chain functionality, and industry consolidation. Many medium-sized airports have experienced particularly large decreases in air cargo tonnages as more cargo has been moved by truck to nearby large hub airports for air transport (Dallas/Fort Worth and Houston Bush in ABIA’s case). In FY 2018, FedEx accounted for 53.6% of the air cargo tonnage enplaned and deplaned at the Airport, UPS Air Cargo for 20.9%, and Air Transport International for 3.4%. The remaining 22.2% of air cargo tonnage was carried by passenger airlines (British Airways 6.0%, others 9.3%) and miscellaneous air cargo operators (6.8%).

### **Aircraft Landed Weight**

Table 10 presents historical aircraft landed weight at the Airport, which generally correlates closely with airline aircraft departures. In FY 2018, the passenger airlines together accounted for 94.3% of landed weight and the all-cargo airlines accounted for the remaining 5.7%. Landed weight increased 14.4% from FY 2017 to FY 2018, with an increase of 15.6% for passenger airlines offsetting a 2.7% decrease for all-cargo airlines. The growth in passenger airline landed weight resulted primarily from increased service from Frontier, Southwest, Alaska, Delta, and new service from Norwegian.

### **Aircraft Operations**

Table 11 presents historical data on aircraft operations (landings and takeoffs) at the Airport. Between FY 2000 and FY 2018, aircraft operations increased an average of 0.1% per year with operations increasing each year since FY 2012. The recent increases were largely driven by the passenger and air cargo carriers and, to a lesser extent, general aviation and military operations. The distribution of aircraft operations in FY 2018 was: air carrier, 63.6%; air taxi and commuter, 8.3%; general aviation, 23.4%; and military, 4.7%.

Table 9  
**HISTORICAL AIR CARGO**  
Austin-Bergstrom International Airport  
Fiscal Years ended September 30

Fiscal Year	Weight of cargo enplaned and deplaned (tons) (a)			Annual increase (decrease)
	Freight and express	Mail	Total	
2000	154,385	14,873	169,258	
2001	157,198	14,287	171,485	1.3%
2002	135,946	5,590	141,536	(17.5)
2003	127,423	5,018	132,441	(6.4)
2004	121,296	4,740	126,036	(4.8)
2005	121,900	4,052	125,952	(0.1)
2006	109,929	3,491	113,420	(9.9)
2007	105,089	2,274	107,363	(5.3)
2008	102,625	3,073	105,698	(1.6)
2009	77,829	2,800	80,629	(23.7)
2010	75,047	2,839	77,886	(3.4)
2011	73,528	2,344	75,872	(2.6)
2012	75,857	1,544	77,401	2.0
2013	76,637	1,668	78,305	1.2
2014	76,281	1,852	78,133	(0.2)
2015	75,694	3,358	79,052	1.2
2016	81,385	2,372	83,757	6.0
2017	91,076	3,290	94,366	12.7
2018	87,657	3,769	91,426	(3.1)
	Average annual percent increase (decrease)			
	-----			
2000-2008	(5.0)%	(17.9)%	(5.7)%	
2008-2011	(10.5)	(8.6)	(10.5)	
2011-2018	2.5	7.0	2.7	
2000-2018	(3.1)	(7.3)	(3.4)	

Note: Calculated percentages may not match those shown because of rounding.

(a) On all-cargo and passenger aircraft.

Source: City of Austin, Aviation Department records.

Table 10  
**HISTORICAL AIRCRAFT LANDED WEIGHT**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30

Fiscal Year	Passenger airlines	All-cargo airlines	Total	Annual increase (decrease)
2000	5,266,397	985,074	6,251,471	
2001	5,526,750	997,993	6,524,743	4.4%
2002	4,982,674	875,652	5,858,326	(10.2)
2003	4,844,743	768,318	5,613,062	(4.2)
2004	4,824,584	723,773	5,548,357	(1.2)
2005	5,061,919	743,608	5,805,526	4.6
2006	5,163,142	592,220	5,755,362	(0.9)
2007	5,578,438	543,275	6,121,713	6.4
2008	5,758,583	601,430	6,360,014	3.9
2009	5,249,325	439,566	5,688,891	(10.6)
2010	5,143,676	397,117	5,540,793	(2.6)
2011	5,353,345	405,953	5,759,298	3.9
2012	5,394,633	420,904	5,815,537	1.0
2013	5,688,131	434,382	6,122,513	5.3
2014	5,944,339	433,628	6,377,968	4.2
2015	6,598,612	492,026	7,090,637	11.2
2016	6,939,722	481,109	7,420,831	4.7
2017	7,573,275	542,979	8,116,254	9.4
2018	8,756,890	528,280	9,285,170	14.4
<u>Average annual percent increase (decrease)</u>				
2000-2003	(2.7)%	(7.9)%	(3.5)%	
2003-2008	3.5	(4.8)	2.5	
2008-2009	(8.8)	(26.9)	(10.6)	
2009-2018	5.9	2.1	5.6	

Note: Calculated percentages may not match those shown because of rounding.

Source: City of Austin, Department of Aviation records.

Table 11  
**HISTORICAL AIRCRAFT OPERATIONS**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30

Fiscal Year	Air carrier	Air taxi/ commuter	General aviation	Military	Total	Annual increase (decrease)
2000	99,631	16,416	82,757	5,059	203,863	
2001	102,661	15,766	98,428	7,720	224,575	10.2%
2002	93,206	17,628	97,451	8,333	216,618	(3.5)
2003	92,602	21,993	89,087	13,797	217,479	0.4
2004	92,298	26,048	86,238	15,708	220,292	1.3
2005	101,296	27,242	79,738	10,386	218,662	(0.7)
2006	94,611	24,973	80,523	7,312	207,419	(5.1)
2007	100,672	28,177	73,450	5,679	207,978	0.3
2008	106,362	30,820	75,470	5,103	217,755	4.7
2009	94,484	17,157	59,601	5,882	177,124	(18.7)
2010	92,372	17,433	57,463	6,899	174,167	(1.7)
2011	95,095	18,466	59,696	6,879	180,136	3.4
2012	96,823	15,962	50,867	5,828	169,480	(5.9)
2013	101,006	16,979	52,582	6,698	177,265	4.6
2014	103,710	17,289	51,231	6,994	179,224	1.1
2015	112,079	15,830	54,401	7,771	190,081	6.1
2016	114,150	16,194	51,231	10,435	192,010	1.0
2017	120,242	15,181	52,709	9,830	197,962	3.1
2018	132,334	17,198	48,742	9,774	208,048	5.1
Average annual percent increase (decrease)						
2000-2003	(2.4%)	10.2%	2.5%	39.7%	2.2%	
2003-2008	2.8	7.0	(3.3)	(18.0)	0.0	
2008-2009	(11.2)	(44.3)	(21.0)	15.3	(18.7)	
2009-2018	3.8	0.0	(2.2)	5.8	1.8	

Note: Calculated percentages may not match those shown because of rounding.

Source: City of Austin, Department of Aviation records.

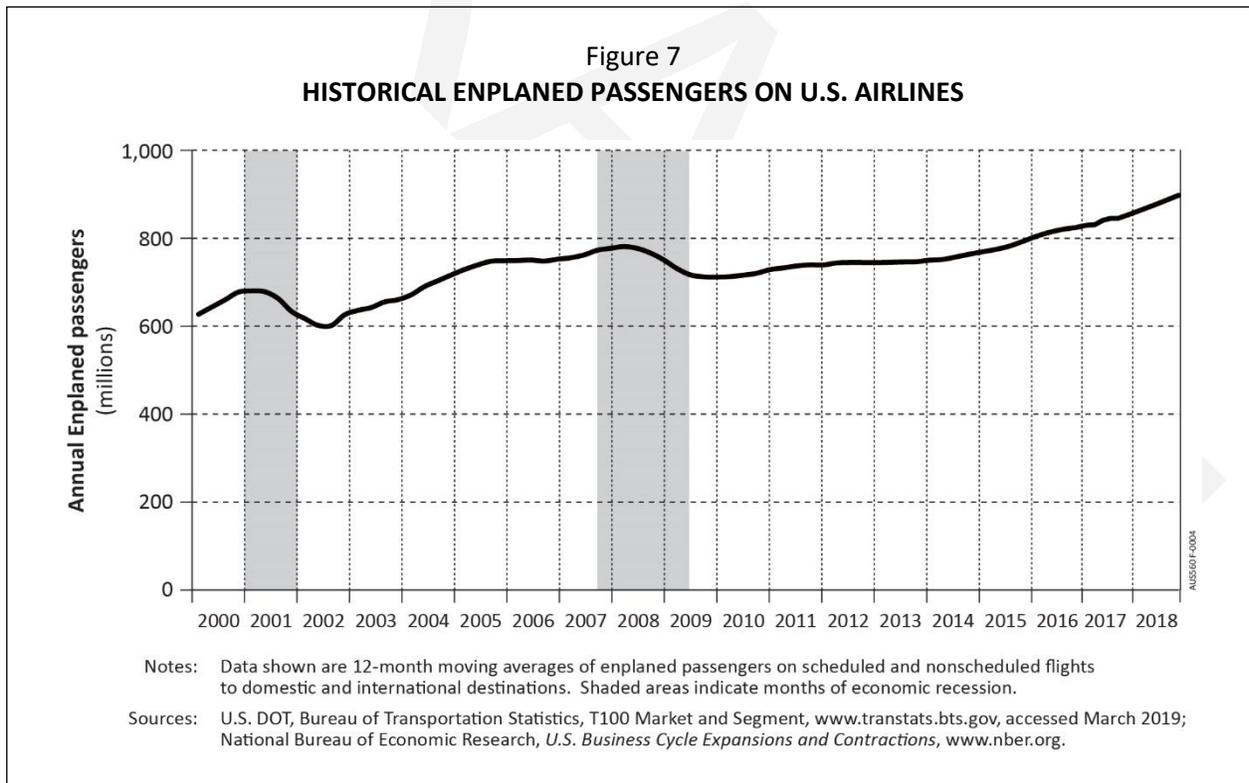
## KEY FACTORS AFFECTING FUTURE AIRLINE TRAFFIC

In addition to the demographics and economy of the MSA discussed earlier, key factors that will affect future airline traffic at ABIA include:

- Economic, political, and security conditions
- Financial health of the airline industry
- Airline service and routes
- Airline competition and airfares
- Availability and price of aviation fuel
- Aviation safety and security concerns
- Capacity of the national air traffic control system
- Capacity of the Airport

### Economic, Political, and Security Conditions

Historically, airline passenger traffic nationwide has correlated closely with the state of the U.S. economy and levels of real disposable income. As illustrated in Figure 7, recessions in the U.S. economy in 2001 and 2008-2009 and associated high unemployment reduced discretionary income and resulted in reduced airline travel. Future increases in domestic passenger traffic at the Airport will depend partly on national economic growth.



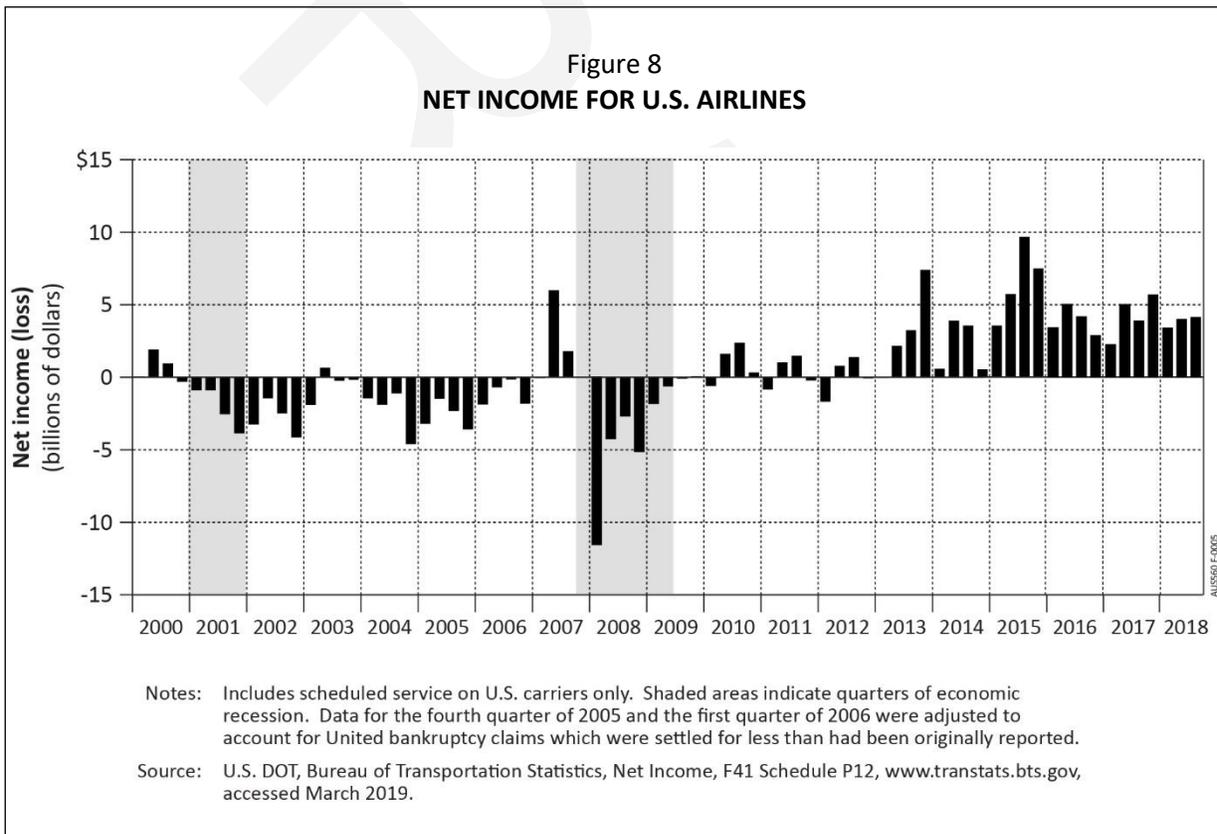
Passenger traffic at U.S. airports is also influenced by the globalization of business and increased importance of international trade and tourism, international economics, trade balances, currency exchange rates, government policies, and political relationships.

Concerns about hostilities, terrorist attacks, and other perceived security and public health risks, and associated travel restrictions also affect travel demand to and from particular international destinations. Beginning in March 2017, the Trump administration issued various orders seeking to restrict travel to the United States from certain countries, mainly in the Middle East and Africa. Following court challenges, in June 2018, the U.S. Supreme Court upheld the administration’s most recent travel restrictions. As the restrictions are implemented, increased scrutiny by U.S. Customs and Border Protection will likely prevent or discourage some travel.

Sustaining current passenger traffic nationally and at the Airport, and achieving forecast increases at the Airport, will depend partly on global economic growth, a stable and secure international environment, and government policies that do not unreasonably restrict or deter travel.

**Financial Health of the Airline Industry**

The number of passengers at the Airport will depend partly on the profitability of the U.S. airline industry and the associated ability of the industry and individual airlines to make the necessary investments to provide service. Figure 8 shows historical net income for U.S. airlines.



As a result of the 2001 economic recession, the disruption of the airline industry that followed the September 2001 attacks, increased fuel and other operating costs, and price competition, the industry experienced financial losses. From 2001 through 2006, the major U.S. passenger airlines collectively recorded net losses of approximately \$46 billion. To mitigate those losses, the major network airlines restructured their route networks and flight schedules and reached agreements with their employees,

lessors, vendors, and creditors to cut costs. Between 2002 and 2005, Delta, Northwest, United, and US Airways all filed for bankruptcy protection and restructured their operations.

In 2007, the U.S. passenger airline industry was once again profitable, recording net income of approximately \$7 billion, but in 2008, as oil and aviation fuel prices increased to unprecedented levels and the U.S. economy contracted, the U.S. passenger airline industry recorded net losses of approximately \$26 billion. The industry responded by grounding less fuel-efficient aircraft, eliminating unprofitable routes and hubs, reducing seat capacity, and increasing airfares. Between 2007 and 2009, the U.S. passenger airlines collectively reduced domestic available seat-mile capacity by approximately 10%.

From 2010 to 2013, the U.S. passenger airline industry recorded net income of approximately \$18 billion, notwithstanding sustained high fuel prices, by controlling capacity and nonfuel expenses, increasing airfares, recording high load factors, and increasing ancillary revenues. Between 2009 and 2013, the airlines collectively increased domestic seat-mile capacity by an average of 1.0% per year. American filed for bankruptcy protection in 2011.

In 2014, the U.S. passenger airline industry reported net income of \$9 billion, assisted by reduced fuel prices. In 2015, the industry achieved record net income of \$26 billion as fuel prices decreased further, demand remained strong, and capacity control allowed average fares and ancillary charges to remain high. Strong industry profitability continued in 2016 through 2018.

Recent agreements between the major airlines and their unionized employees have resulted in increased labor costs. According to Airlines for America, U.S. airlines increased wages and benefits per full-time employee by 28% between 2013 and 2018. Contributing to the increased costs, a shortage of qualified airline pilots, resulting from retirements and changed FAA qualification standards and duty and rest rules, has required the airlines to increase salaries and improve benefits to attract and retain pilots.

Sustained industry profitability will depend on, among other factors, economic growth to support airline travel demand, continued capacity control to enable increased airfares, and stable fuel prices and labor costs.

Consolidation of the U.S. airline industry has resulted from the acquisition of Trans World by American (2001), the merger of US Airways and America West (2005), the merger of Delta and Northwest (2009), the merger of United and Continental (2010), the acquisition of AirTran by Southwest (2011), the merger of American and US Airways (2013), and the acquisition of Virgin America by Alaska (2016).

Such consolidation has resulted in four airlines (American, Delta, Southwest, and United) and their regional affiliates now accounting for approximately 80% of domestic seat-mile capacity. The consolidation has contributed to industry profitability, a trend that is expected by airline industry analysts to continue over the near term. However, any resumption of financial losses could cause one or more U.S. airlines to seek bankruptcy protection or liquidate. The liquidation of any of the large network airlines would drastically affect airline service at certain connecting hub airports and change airline travel patterns nationwide. The Airport is almost exclusively an origin-destination airport, so it would be less directly affected by any such liquidations.

### **Airline Service and Routes**

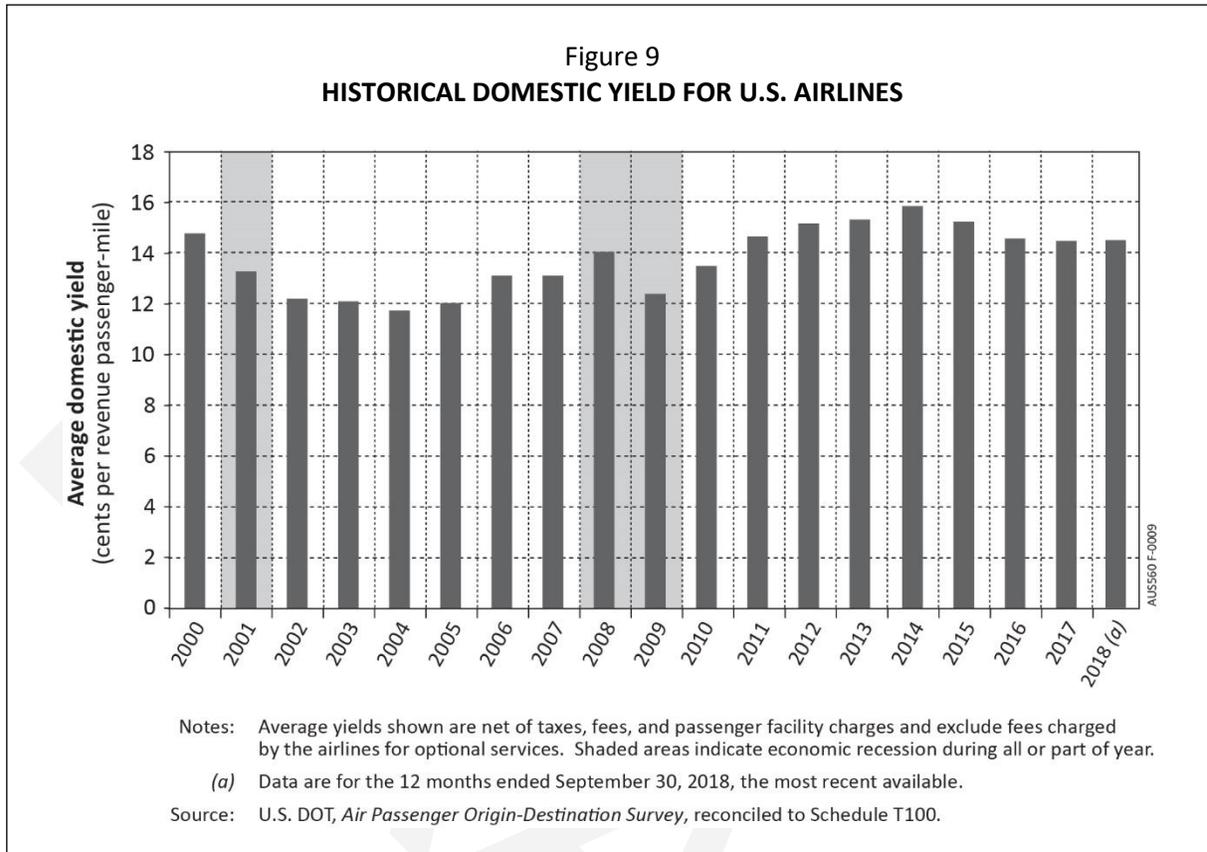
The Airport serves as a gateway to the Austin MSA and Texas Hill Country. The number of originating passengers at the Airport depends primarily on the intrinsic attractiveness of the region as a business and leisure destination, the propensity of its residents to travel, and the airfares and service provided at the Airport and at other competing airports. By contrast, the number of connecting passengers depends almost entirely on the airline service provided. Although passenger demand at an airport depends primarily on the population and economy of the region served, airline service and the numbers of passengers enplaned also depend on the route networks of the airlines serving that airport.

The large airlines have developed hub-and-spoke systems that allow them to offer high-frequency service to many destinations. Because most connecting passengers have a choice of airlines and intermediate airports, connecting traffic at an airport depends on the route networks and flight schedules of the airlines serving that airport and competing hub airports. Since 2003, as the U.S. airline industry consolidated, airline service has been drastically reduced at many former connecting hub airports, including those serving St. Louis (American, 2003-2005), Dallas-Fort Worth (Delta, 2005), Pittsburgh (US Airways, 2006-2008), Las Vegas (US Airways, 2007-2010), Cincinnati (Delta, 2009-2012), Memphis (Delta, 2011-2013), and Cleveland (United, 2014). The Airport serves almost exclusively originating passengers and is not dependent on connecting passengers.

### **Airline Competition and Airfares**

Airline fares have an important effect on passenger demand, particularly for relatively short trips for which automobile and other surface travel modes are potential alternatives, and for price-sensitive “discretionary” travel. The price elasticity of demand for airline travel increases in weak economic conditions when the disposable income of potential airline travelers is reduced. Airfares are influenced by airline capacity and yield management; passenger demand; airline market presence; labor, fuel, and other airline operating costs; taxes, fees, and other charges assessed by governmental and airport agencies; and competitive factors. Future passenger numbers, both nationwide and at the Airport, will depend, in part, on the level of airfares.

Figure 9 shows the historical average domestic yield (airfare per passenger-mile) for U.S. airlines. Overcapacity in the industry, the ability of consumers to compare airfares and book flights easily via the Internet, and the 2001 recession combined to reduce the average yield between 2000 and 2004. The average yield then increased between 2004 and 2008 before again decreasing during the 2008-2009 recession. The average yield then increased between 2009 and 2014 as airline travel demand strengthened and the airlines collectively reduced available seat capacity and were able to sustain airfare increases. Between 2014 and 2016, the average yield decreased, but since 2016, the average yield has been fairly stable.



Beginning in 2006, charges were introduced by most airlines for optional services such as checked baggage, preferred seating, in-flight meals, and entertainment, thereby increasing the effective price of airline travel more than these yield figures indicate.

### Availability and Price of Aviation Fuel

The price of aviation fuel is a critical and uncertain factor affecting airline operating economics. Figure 10 shows the historical fluctuation in aviation fuel prices caused by the many factors influencing the global demand for and supply of oil.

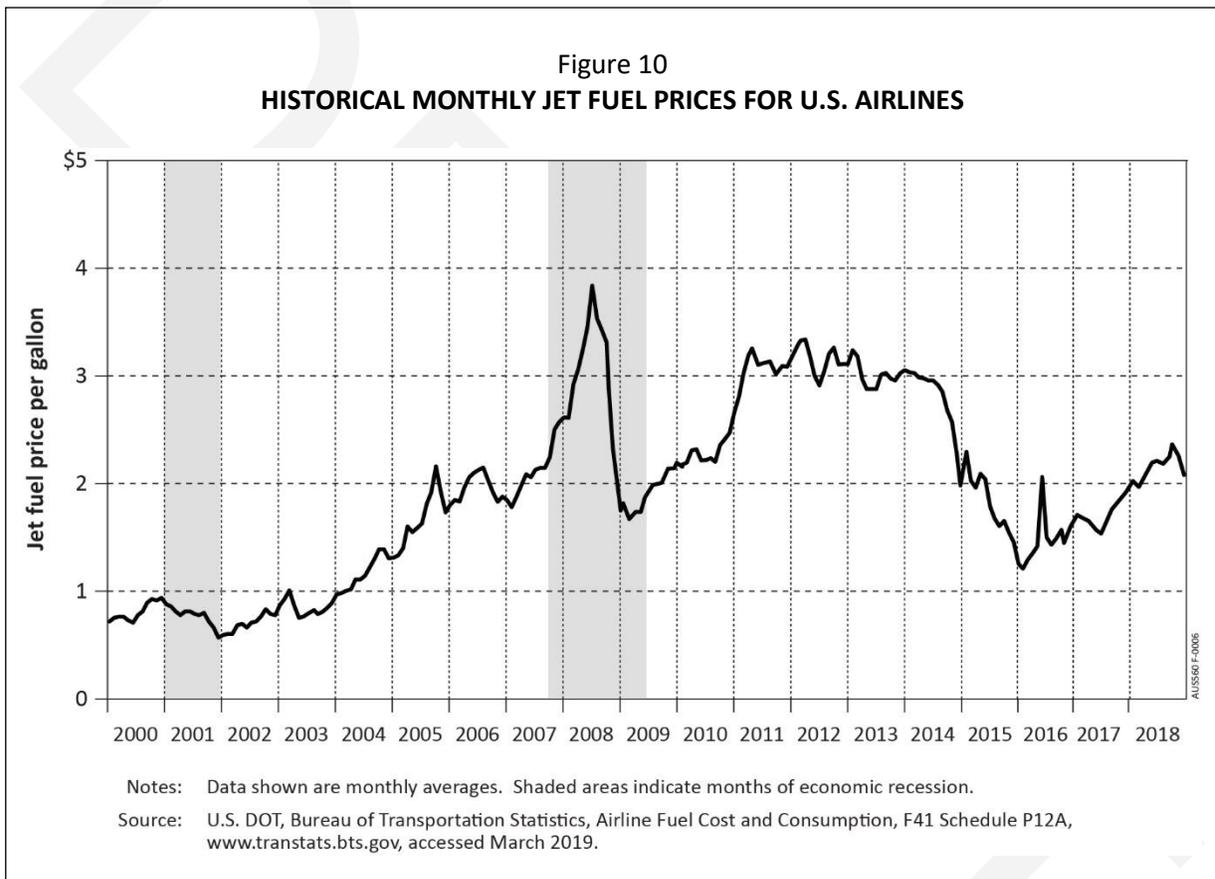
Between 2011 and 2014, aviation fuel prices were relatively stable, partly because of increased oil supply from U.S. domestic production, made possible by the hydraulic fracturing of oil-bearing shale deposits and other advances in extraction technologies. As of mid-2014, average fuel prices were approximately three times those at the end of 2003 and accounted for between 30% and 40% of expenses for most airlines.

Beginning in mid-2014, an imbalance between worldwide supply and demand resulted in a precipitous decline in the price of oil and aviation fuel through the end of 2015. Fuel prices have since increased, but the average price of aviation fuel at end of 2018 was still approximately 30% below the price at mid-2014. Lower fuel prices are having an overall positive effect on airline profitability as well as far-reaching implications for the global economy.

Airline industry analysts hold differing views on how oil and aviation fuel prices may change in the near term, although absent unforeseen disruptions, prices are expected to remain stable. There is

widespread agreement that fuel prices are likely to increase over the long term as global energy demand increases in the face of finite oil supplies that are becoming more expensive to extract. Some economists predict that the development of renewable sources of energy, pressures to combat global climate change, the widespread use of electric cars, and other trends will eventually result in a decline in the demand for oil and resulting downward pressure on fuel prices.

Aviation fuel prices will continue to affect airfares, passenger numbers, airline profitability, and the ability of airlines to provide service. Airline operating economics will also be affected as regulatory costs are imposed on the airline industry as part of efforts to reduce aircraft emissions contributing to climate change.



### Aviation Safety and Security Concerns

Concerns about the safety of airline travel and the effectiveness of security precautions influence passenger travel behavior and airline travel demand. Anxieties about the safety of flying and the inconveniences and delays associated with security screening procedures lead to both the avoidance of travel and the switching from air to surface modes of transportation for short trips.

Safety concerns in the aftermath of the September 2001 attacks were largely responsible for the steep decline in airline travel nationwide in 2002. Since 2001, government agencies, airlines, and airport operators have upgraded security measures to guard against changing threats and maintain confidence in the safety of airline travel. These measures include strengthened aircraft cockpit doors, changed flight crew procedures, increased presence of armed federal marshals, federalization of

airport security functions under the Transportation Security Administration (TSA), more effective dissemination of information about threats, more intensive screening of passengers and baggage, and deployment of new screening technologies. The TSA has introduced “pre-check” service to expedite the screening of passengers who have submitted to background checks.

Following the fatal crashes of B-737 MAX aircraft that are suspected to have been caused by the malfunction of the aircraft’s automated flight control system, all B-737 MAX aircraft were grounded in March 2019. Among North American airlines, Air Canada, American, Southwest, and United are being affected. At the time of the grounding, B-737 MAX aircraft accounted for approximately 1.5% of U.S. airline seat capacity.

Southwest has the largest MAX fleet of any airline and its flight operations are being particularly affected by the grounding. At ABIA, where Southwest has the largest share of seat capacity, before the grounding, operations by MAX aircraft accounted for 5.8% of seat capacity on Southwest and 2.2% of seat capacity on all airlines. Before the grounding, daily departing seats (on all airlines) as scheduled for May 2019 averaged 30,000, compared with 29,300 as now scheduled, a 2.5% reduction. It is expected that the grounding will last several months while the flight control system software is updated and approved by the FAA and pilot training is completed.

Historically, airline travel demand has recovered after temporary decreases stemming from terrorist attacks or threats, hijackings, aircraft crashes, and other aviation safety concerns. Provided that precautions by government agencies, airlines, and airport operators serve to maintain confidence in the safety of commercial aviation without imposing unacceptable inconveniences for airline travelers, future demand for airline travel will depend primarily on economic, not safety or security, factors.

### **Capacity of the National Air Traffic Control System**

Demands on the national air traffic control system have, in the past, caused delays and operational restrictions affecting airline schedules and passenger traffic. The FAA is gradually implementing its Next Generation Air Transportation System (NextGen) air traffic management programs to modernize and automate the guidance and communications equipment of the air traffic control system and enhance the use of airspace and runways through improved air navigation aids and procedures. Since 2007, airline traffic delays have decreased because of reduced numbers of aircraft operations (down approximately 15% between 2007 and 2018), but, as airline travel increases in the future, flight delays and restrictions can be expected.

### **Capacity of the Airport**

In addition to any future constraints that may be imposed by the capacity of the national air traffic control and national airport systems, future growth in airline traffic at ABIA will depend on the capacity at the Airport itself.

The Airport’s two parallel air carrier runways are able to accommodate the simultaneous arrival of aircraft in virtually all-weather conditions and will not constrain airfield capacity for the foreseeable future. The additional terminal facilities being provided by the 2019-2023 Project and the further expansion of the South Terminal will likewise provide terminal capacity to meet demand during the forecast period.

## AIRLINE TRAFFIC FORECAST

The forecasts of airline traffic at the Airport through FY 2025 were developed on the basis of the economic outlook for the MSA, trends in historical airline traffic, and key factors likely to affect future airline traffic, all as discussed earlier in this report. The forecast for the Airport included in the FAA's most recent *Terminal Area Forecast (TAF)*, issued in January 2019, was also reviewed.

In developing the forecasts in this report, it was assumed that, over the long term, airline traffic at the Airport will increase as a function of the growth in the economy of the MSA and continued airline service. It was assumed that airline service at the Airport will not be constrained by the availability of aviation fuel, the capacity of the air traffic control system or the Airport, charges for the use of aviation facilities, or government policies or actions that restrict growth.

The traffic forecasts for the Airport were developed on the basis of the assumptions that:

- The U.S. economy will experience sustained growth in GDP averaging between 2.0% and 2.5% per year, an average rate of GDP growth generally consistent with that projected by the Congressional Budget Office.
- Employment in the MSA will increase at a faster rate than the United States as a whole.
- Demand for passenger travel to and from the MSA will remain strong based on the strength of the local economy, population growth, and the region's relative attractiveness as a tourist and convention destination.
- The Airport will continue to be primarily an origin-destination airport and the small percentage of passengers connecting at the Airport will not change materially.
- Airlines will add service to meet travel demand at the Airport and competition among airlines will ensure competitive airfares for flights from the Airport.
- A generally stable international political environment and safety and security precautions will ensure airline traveler confidence in aviation without imposing unreasonable inconveniences.
- There will be no major disruption of airline service or airline travel behavior as a result of international hostilities, terrorist acts or threats, or government policies restricting or deterring travel.
- Reduced airline seat capacity caused by the grounding of B-737 MAX aircraft will be temporary and not have a material effect on numbers of enplaned passengers forecast at the Airport for FY 2020 and beyond.

## Enplaned Passenger Forecast

FY 2018 total enplaned passengers at the Airport equaled 7.7 million, a 15.0% increase from the 6.7 million enplaned in FY 2017. The number of enplaned passengers for FY 2019, 8.4 million, was estimated taking into account actual results for the first half of the year (through March) and published flight schedules for the remainder of the year. The published flight schedules reflect the seat capacity expected to be lost to the grounding of the 737 MAX aircraft. Two passenger forecasts

were developed for FY 2019 through FY 2025, a base forecast and a stress test forecast, as presented in Table 12. The forecasts are presented graphically on Figure 11.

In the base forecast, the number of enplaned passengers at the Airport is forecast to increase from 7.7 million in FY 2018 to 10.0 million in FY 2025, or an average of 3.7% per year. In its *Terminal Area Forecast*, the FAA forecasts an average increase of 3.7% per year in enplaned passengers at the Airport over the same period.

### **Stress Test Forecast and Assumptions**

The stress test forecast of enplaned passengers was developed to provide the basis for a test of the Airport's financial results to a hypothetical reduction in enplaned passenger numbers. The same assumptions underlie the stress test forecast as the base forecast, except that passenger traffic at the Airport was assumed to be decreased by approximately 20% from the base forecast in FY 2020. In FY 2021 through FY 2025 passenger numbers were then increased at rates similar to those for the base forecast. The stress test in effect postulates a six-year deferral of forecast passenger growth, i.e., reaching 7.7 million enplaned passengers, approximately the number enplaned in FY 2018, by FY 2024. The percentage reduction in passenger numbers adopted for the stress test was selected to demonstrate that the 1.25 times debt service coverage requirement of the Rate Covenant would be exceeded even under a severe reduction in passenger traffic.

### **Landed Weight Forecast and Assumptions**

The forecasts of passenger airline departures and landed weight shown in Table 12 assumed gradually increasing aircraft seating capacities and load factors, resulting in an average rate of increase in total landed weight of 3.5% per year between FY 2018 and FY 2025. Corresponding assumptions were made for the stress test forecast.

Table 12  
**AIRLINE TRAFFIC FORECAST**  
 Austin-Bergstrom International Airport  
 Fiscal Years ended September 30  
 (in thousands)

The forecasts presented in this figure were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.

	Historical					Forecast							Average annual increase
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2018-2025
<b>BASE FORECAST</b>													
Enplaned passengers (thousands)	5,275	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000	3.7%
Percent annual change	7.0%	9.8%	6.7%	8.9%	15.0%	8.5%	4.2%	2.9%	2.8%	2.7%	2.6%	2.6%	
Passenger airline departures	51,877	55,557	56,349	58,503	65,000	70,700	73,600	75,300	76,900	78,500	80,100	81,700	3.3%
Percent annual change	2.6%	7.1%	1.4%	3.8%	11.1%	8.8%	4.1%	2.3%	2.1%	2.1%	2.0%	2.0%	
Average enplaned passengers per departure	102	104	110	115	119	119	119	120	120	121	122	122	
Landed Weight (millions of pounds)													
Passenger airlines	5,944	6,599	6,940	7,573	8,757	9,560	9,980	10,250	10,500	10,760	11,010	11,270	3.7%
All-cargo airlines	<u>434</u>	<u>492</u>	<u>481</u>	<u>543</u>	<u>528</u>	<u>530</u>	<u>540</u>	<u>540</u>	<u>540</u>	<u>540</u>	<u>540</u>	<u>540</u>	0.3%
	6,378	7,091	7,421	8,116	9,285	10,090	10,520	10,790	11,040	11,300	11,550	11,810	3.5%
Percent annual change	4.2%	11.2%	4.7%	9.4%	14.4%	8.7%	4.3%	2.6%	2.3%	2.4%	2.2%	2.3%	
<b>STRESS TEST FORECAST</b>													
Enplaned passengers (millions)						8,400	7,000	7,200	7,400	7,600	7,800	8,000	
Percent below base forecast						0.0%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	(20.0)%	

Sources: Historical: City of Austin, Department of Aviation records.  
 Forecast: LeighFisher, May 2019.

This preliminary draft report is subject to change and is intended for discussion purposes only. It is not to be made available to parties other than those to whom it has been issued directly and should not be relied upon for securing financing or making investment decisions.

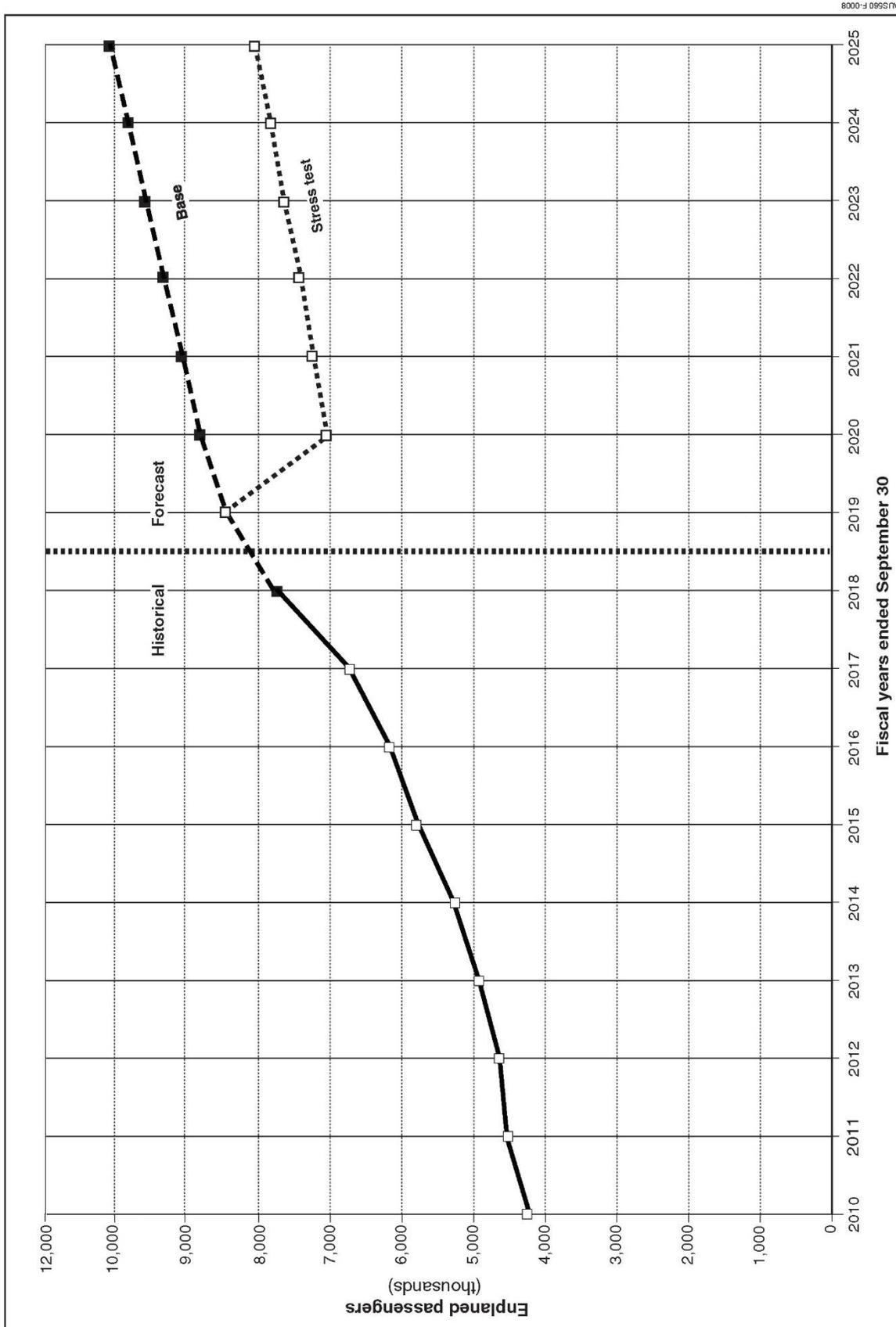


Figure 11  
AIRLINE PASSENGER FORECASTS  
Austin-Bergstrom International Airport

The forecasts presented in this figure were prepared using the information and assumptions described in the accompanying text. Inevitably, some of the assumptions will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast, and the variations could be material.  
Sources: Historical—City of Austin, Department of Aviation records.  
Base forecast and stress test—LeighFisher, May 2019.

## FINANCIAL ANALYSIS

### FRAMEWORK FOR AIRPORT FINANCIAL OPERATIONS

The City of Austin develops, operates, and maintains the Airport System as a self-supporting enterprise fund of the City through its Aviation Department with a staff of approximately 430 people under the direction of an Executive Director. Certain accounting, budgeting, financing, treasury, and related functions are performed by the City's Financial Services Department. Airport System funds are held in separate City accounts.

#### Revenue Bond Ordinances

The financial operations of the Airport are governed, in large part, by the Revenue Bond Ordinances, under the provisions of which all outstanding and future Revenue Bonds, including the proposed 2019A-B Bonds and the planned 2021 Bonds are to be secured by a first lien and pledge of Net Revenues.

In the Rate Covenant (Section 5.03(b) of the Revenue Bond Ordinances), the City covenants that it will impose and collect rentals, rates, fees, and other charges for the use of the Airport System so that in each Fiscal Year, Net Revenues will be at least sufficient to equal an amount that, together with Other Available Funds, is not less than 125% of the Debt Service Requirements of Revenue Bonds plus 100% of budgeted Administrative Expenses associated with Swap Agreements or other Credit Agreements related to Revenue Bonds for the Fiscal Year.

The Revenue Bond Ordinances provide for the issuance of Additional Revenue Bonds and prescribe the application of Airport System Revenues to the funds and accounts established under the Revenue Bond Ordinances, as described in the later section "Application of Revenues."

#### Airline Agreement

Effective the beginning of FY 2010, the City executed an Airport Use and Lease Agreement (the Airline Agreement) with Signatory Airlines that collectively accounted for approximately 92% of enplaned passengers at the Airport in FY 2018. The Airline Agreement continues on a month-to-month basis. As described in the later sections "Landing Fees" and "Airline Terminal Rentals and Fees," the Airline Agreement provides for the calculation of Signatory Airline rentals, fees, and charges according to cost-recovery principles. Other airlines operate at the Airport under Airline Lease and Operating Agreements (Operating Agreements) that, while not providing Signatory Airline status, provide for the payment of rentals, fees, and charges at the Signatory Airline rates. Airline revenues presented in this report were forecast on the assumption that the Signatory Airlines and Operating Agreement Airlines will pay rentals, fees, and charges in accordance with the provisions of the Airline Agreement through the forecast period.

An amendment to the Airline Agreement has been executed by each of the Signatory Airlines, extending the term of the Agreement for an additional one year after the Date of Beneficial Occupancy of the Terminal and Apron Expansion Project. The Airport opened four of the nine planned gates in February 2019 and expects DBO of Project to be September 2019. The amendment clarified the landing fee billing process and updated the minimum gate usage requirement for preferential use of gate rights.

## **SOURCES OF FUNDS**

Exhibit A summarizes estimated funding sources for the 2019-2023 Project, previously described.

### **Federal Grants-in-Aid**

The City is eligible to receive grants-in-aid under the FAA's Airport Improvement Program (AIP) for up to 75% of the costs of airfield and other approved projects. Some of these grants are entitlement grants, the annual amount of which is calculated on the basis of the number of enplaned passengers and landed weight of all-cargo aircraft at the Airport. Other, discretionary, grants are awarded on the basis of the FAA's determination of the priorities for projects at the Airport and at other airports in the nation.

In the City's funding plan shown in Exhibit A, AIP entitlement and discretionary grants totaling \$76.5 million are assumed to be received in FY 2019 through FY 2023 (average of \$15.3 million per year) for airfield, safety, and security projects.

### **Passenger Facility Charge Revenues**

The City has approval from the FAA to impose a PFC per eligible enplaned passenger at the Airport. The PFC was imposed at \$3.00 in August 1995 and increased to \$4.50 in April 2004. Through September 2018, cumulative PFC revenues, including investment earnings, totaled \$370.7 million, of which \$264.6 million had been expended for approved project costs, essentially all to pay Revenue Bond debt service. Under FAA approvals received to date, the City is authorized to continue to impose the PFC and use PFC revenues to pay certain debt service on outstanding bonds. The City's current PFC collection authority extends to January 1, 2035 and authorizes the collection of \$831.1 million in PFC collections.

The City is discussing with the FAA the possible use of PFC revenues to pay debt service on eligible portions of the 2019A-B Bonds and to cover certain pay-as-you-go costs of the 2019-2023 Project. As shown in Exhibit A, the City plans to use \$25.0 million for pay-as-you-go funding for utilities infrastructure associated with terminal projects that are part of the 2019-2023 Project.

Exhibit F presents historical and forecast sources and uses of PFC revenues by year, assuming continued imposition of a \$4.50 PFC to allow the collections and expenditures shown. Although \$56.0 million in PFC pay-as-you-go funding appears in 2019 on Exhibit F, because it was initially scheduled to be spent prior to 2019, this report does not consider it to constitute a source of funding for the 2019-2023 Project.

### **Capital Fund**

As shown in Exhibit A, the City plans to use \$53.5 million of amounts accumulated in the Capital Fund to pay certain of the costs of various elements of the 2019-2023 Project. Monies accumulated in the Capital Fund represent the net revenues remaining (see Application of Gross Revenues) after satisfying all other requirements in the Revenue Bond Ordinances.

### **Revenue Bonds**

Amounts not paid from federal grants, PFC revenues, and contributions from the Capital Fund are to be met from the proceeds of Revenue Bonds. Exhibit B presents the estimated sources and uses for

the proposed 2019A-B Bonds and planned 2021 Bonds. Financing assumptions, as provided by PFM Financial Advisors LLC, the City's independent registered municipal advisor, are shown on Exhibit B.

The estimated sources of Bond funds are proceeds from the sale of the Revenue Bonds after original issue premium (discount).

The estimated uses of Revenue Bond funds are (1) deposits to the Construction Fund to pay project costs of the 2019-2023 Project; (2) deposits to the Capitalized Interest Account to pay Revenue Bond interest during construction; (3) deposits to meet the Debt Service Reserve Fund Requirement; and (4) payment of underwriters' discount, financing, legal, and other Bond issuance expenses.

### **Revenue Bond Debt Service Requirements**

Exhibit C presents Debt Service Requirements (amounts to be accrued for the Fiscal Years ended September 30) for outstanding Revenue Bonds, the proposed 2019A-B Bonds, and the planned 2021 Bonds. Debt Service Requirements are allocated to Airport cost centers in accordance with the provisions of the Airline Agreement.

Five series of Revenue Bonds are now outstanding. The 2013 Bonds were issued to fund various Airport improvements. The 2014 Bonds were issued to fund various Airport improvements, including the Terminal East Infill project and certain construction and design costs for the Terminal and Apron Expansion Project and design costs of the new automobile parking garage. The 2017A and 2017B Bonds were issued to pay portions of the construction costs of a new parking garage, associated roadway work, and the East Concourse Expansion. The 2019 Refunding Bonds fully refunded the 2005 Refunding Bonds.

### **OPERATION AND MAINTENANCE EXPENSES**

Operation and Maintenance (O&M) Expenses are defined in the Revenue Bond Ordinances as all reasonable and necessary current expenses of operating, maintaining, and repairing the Airport System (as paid or accrued), including allocated City overhead expenses and costs of direct support services provided by City departments other than the Aviation Department.

Exhibits D-1 and D-2 present Operation and Maintenance Expenses by function and by cost center. Data for FY 2015 through FY 2018 are from the City's annual *Rates and Charges Reconciliation* reports, and data for FY 2019 are from the *FY 2019 Rates and Charges Budget* report. Expenses are allocated to cost centers in accordance with the provisions of the Airline Agreement. The FY 2019 Budget includes additional operating expenses associated with the East Concourse Expansion and the new parking garage.

The forecast Operation and Maintenance Expenses shown in Exhibits D-1 and D-2 were based off FY 2019 budgeted figures and account for increases in unit costs resulting from inflation, forecast aircraft and passenger activity, and planned Airport development.

For the purposes of this Report, the following assumptions were made:

1. The unit costs of salaries, wages, benefits, materials, services, and supplies will increase an average of approximately 3.0% per year as a result of inflation.

This preliminary draft report is subject to change and is intended for discussion purposes only. It is not to be made available to parties other than those to whom it has been issued directly and should not be relied upon for securing financing or making investment decisions.

2. In addition to inflation-related increases, the costs of operating, maintaining, and administering airfield, terminal, and other Airport facilities will increase as a function of the forecast passenger and aircraft activity documented in Table 12 in the earlier section, "Airline Traffic Forecasts."
3. As facilities such as the consolidated Maintenance Facility and New Information Technology Building are implemented as part of the 2019-2023 Project, additional expenses will be incurred.

**REVENUES**

Exhibit E presents Gross Revenues. Data for FY 2015 through FY 2018 are from the City's annual *Rates and Charges Reconciliation Reports*, and data for FY 2019 are from the *FY 2019 Rates and Charges Budget* report. The distributions of operating revenues by major category in FY 2017 and FY 2018 were as follows:

	FY 2017		FY 2018	
	Revenues	Share	Revenues	Share
Airline Revenues				
Landing Fees	\$ 27,657	19.0%	\$ 33,119	19.4%
Terminal Building Rentals	22,259	15.3	28,730	16.8
Other Rentals and Fees	<u>12,013</u>	<u>8.3</u>	<u>17,299</u>	<u>10.1</u>
Subtotal	\$ 61,929	42.6%	\$ 79,148	46.3%
Nonairline Revenues				
Terminal Concessions	\$ 13,393	9.2%	\$ 16,756	9.8%
Parking and Ground Transportation	56,461	38.9	59,807	35.0
Other	<u>13,432</u>	<u>9.2</u>	<u>15,099</u>	<u>8.8</u>
Subtotal	<u>\$ 83,286</u>	<u>57.4%</u>	<u>\$ 91,663</u>	<u>53.7%</u>
Total	\$145,215	100.0%	\$170,810	100.0%

Individual components of Gross Revenues shown in Exhibit E were forecast, using FY 2018 actual and/or FY 2019 budgeted amounts as the base, taking into account allowances for unit price inflation at 3.0% per year, planned terminal and parking developments, and the provisions of the Airline Agreement and other leases and agreements with tenants and users of the Airport.

Revenues from sources related to passenger numbers, such as concession, parking, and rental car revenues, and from sources related to aircraft movements, such as landing fees, were forecast as a function of the activity forecasts documented in Table 12 in the earlier section "Airline Traffic Forecasts." The specific assumptions underlying individual components of Gross Revenues are described in the following sections.

**AIRLINE REVENUES**

Airline revenues shown in Exhibits E and E-1 are as calculated under the provisions of the Airline Agreement (on the assumption that the provisions of any successor agreement(s) relating to the calculation of rentals, fees, and charges will be substantially the same as those of the Airline Agreement).

The Airline Agreement establishes cost centers to which debt service, 25% debt service coverage, amortization of investments from the Capital Fund, O&M expenses, O&M Reserve Account deposits, and other requirements are allocated. Amounts allocated to the airline cost centers provide the basis for calculating rentals, fees, and charges paid by the airlines. Amounts allocable to nonairline cost centers are met by the City from concession, parking, rental car, and other nonairline revenues.

### **Airline Cost Centers**

**Airfield:** Runways, taxiways, air navigation aids, and associated land, facilities, and equipment. The Signatory Airlines and all other airlines pay landing fees, calculated according to a residual methodology, to recover the requirements allocated to the cost center after the credit of fuel flowage fee revenues.

**Terminal Apron:** Aircraft parking apron at the terminal building, including apron areas for overnight aircraft parking. The Signatory Airlines and all other airlines pay apron fees calculated to recover the requirements allocated to the cost center over leased parking positions.

**Terminal Building:** Airline-leased space and facilities in the terminal. The Signatory Airlines pay terminal building rentals, calculated according to a compensatory methodology, to recover the requirements allocated to the cost center over leased space.

**Terminal Equipment:** The Signatory Airlines separately pay terminal equipment fees to allow recovery of the costs of passenger loading bridges, flight information display systems, and baggage handling systems.

**Fuel Facility:** Fuel storage and distribution facilities. The Signatory Airlines pay fuel facility fees calculated to meet the capital recovery requirements of the cost center (shown under other revenues in Exhibit E).

### **Nonairline Cost Centers**

**Terminal Building:** All terminal space and facilities not leased to the Signatory Airlines, including unleased airline space, public circulation space, and concession space.

**Automobile Parking:** Public and employee automobile parking garages and lots and associated facilities and equipment.

**Other Nonairline Areas:** Rental car, air cargo, and other facilities, buildings, and grounds including utilities, roads, bridges, and other infrastructure.

**PBX/STS/PDS:** Telecommunication systems and other shared tenant services.

### **Allocation of Requirements to Cost Centers**

Requirements are allocated to the airline and nonairline cost centers as follows.

**Debt Service:** Debt service on outstanding Revenue Bonds and on the proposed 2019A-B Bonds and planned 2021 Bonds are allocated in accordance with the project costs funded (as shown in Exhibit C).

**Debt Service Coverage:** Coverage at 25% allocated pro rata according to each cost center's share of debt service.

**Amortization of Capital Fund investments:** Amounts to recover project costs funded from the Capital Fund.

**Operation and Maintenance Expenses:** Allocated according to percentages as agreed to with the Signatory Airlines under the Airline Agreement (as shown in Exhibit D).

**Operating Reserve Account Deposit:** Allocated pro rata according to each cost center's share of O&M Expenses.

### **Landing Fees**

Exhibit E-1 shows historical and forecast Landing Fees and Signatory Airline landing fee rates per 1,000 pounds of landed weight. Airlines operating under Operating Agreements pay rentals, fees, and charges at the Signatory Airline rates. For the financial forecasts in this report, it was assumed that airlines accounting for substantially all landed weight at the Airport will pay Landing Fees at the Signatory Airline rate.

### **Terminal Rentals and Fees**

**Terminal Apron Revenues.** Exhibit E-1 shows historical and forecast Terminal apron fees and overnight parking fees (RON).

**Terminal Building Rentals.** Exhibit E-1 shows historical and forecast Terminal Building rentals and the average terminal rental rate per square foot of leased space.

**Other Terminal Building and Airline Fees.** Exhibit E-1 also shows other Terminal Building charges for baggage claim, Terminal Equipment fees, Shared Use revenues, fees for the use of the CBP international arrivals facility (US Customs fees), and a credit for airline service incentives. The City waives certain landing fees and space rentals for airlines providing new airline service under its air service incentive program. For FY 2018, landing fees and terminal rents waived were \$0.6 million and \$0.6 million, respectively.

**Terminal Occupancy.** For the purposes of the forecasts of Terminal Building rentals and other terminal fees shown in Exhibit E-1, it was assumed that the additional airline-leasable space to be constructed for the East Concourse Expansion project will be approximately 80% occupied when the expansion is fully operational in September 2019.

### **Airline Payments per Enplaned Passenger**

Exhibit E-1 summarizes airline payments and the average of such payments per enplaned passenger.

### **NONAIRLINE REVENUES**

Exhibit E presents nonairline revenues. Assumptions underlying the forecasts of the major line items of revenues are described in the following sections.

### Terminal Concession Revenues

In FY 2017 and FY 2018, concessions and other services in the terminals generated 9.2% and 9.8% of total Airport operating revenues, respectively, as follows:

	FY 2017		FY 2018	
	Revenues	Share	Revenues	Share
Food and Beverage	\$ 8,261	61.7%	\$10,202	60.9%
Retail	3,281	24.5	3,981	23.8
Advertising	1,723	12.9	1,950	11.6
Passenger Services	<u>128</u>	<u>1.0</u>	<u>623</u>	<u>3.7</u>
Total	\$13,393	100.0%	\$16,756	100.0%

Food, beverage, and retail outlets in the terminal are operated under two prime concession agreements with Delaware North Companies Travel Hospitality Services and LS Travel Retail. Certain outlets are operated by local and disadvantaged business enterprise partners. The City has entered into new concession agreements with the prime concessionaires with 10-year terms that began on December 1, 2017 and extend to November 30, 2027.

**Food and Beverage.** Thirty food and beverage outlets are operated in the terminals. In FY 2018, gross receipts for food and beverage concessions totaled approximately \$62.0 million, or \$8.01 per enplaned passenger, of which the City received approximately \$10.2 million, or 16.4%, in concession fees.

**Retail.** Eleven news, gift, and other retail merchandise concession outlets are operated in the terminals. In FY 2018, gross receipts for retail merchandise concessions totaled \$20.3 million, or \$2.62 per enplaned passenger, of which the City received approximately \$4.0 million, or 19.7%.

**Advertising.** Advertising in the terminal is managed by Clear Channel Airports under a concession agreement that provides for concession fees calculated as a percentage of gross revenues against a minimum annual guaranteed amount. In FY 2018, the City received approximately \$2.0 million, or \$0.25 per enplaned passenger, in advertising revenues.

**Passenger Services.** Other passenger convenience services from which the City derives revenues include telephone, wireless, ATM, luggage carts, currency exchange, massage, and shoeshine. In FY 2018, the City received approximately \$0.6 million, or \$0.08 per enplaned passenger, in fees from the providers of such services.

**Forecast Assumptions.** It was assumed that terminal concession revenues will increase as a function of inflation and forecast increases in numbers of enplaned passengers, with allowances for increased sales per passenger during FY 2019 when additional concession space opens in the expanded east concourse.

## Public Parking Revenues

As of May 2019, the City provided approximately 15,600 public parking spaces, as follows:

- Terminal parking garage directly across from the terminal (2,900 spaces including spaces used for valet parking). Garage parking rates are \$3 per hour (or part thereof) up to a daily maximum of \$23.
- 900 spaces in the consolidated rental car facility.
- 6,000 spaces in the new parking garage, operational in June 2019.
- Long-term parking lots served by shuttle buses (5,800 spaces in normal use plus 1,225 overflow spaces used for special events and at holiday times). Rates are \$3 per hour (or part thereof) up to a daily maximum of \$7.

In addition to the on-Airport public parking facilities provided by the City, Scott Parking LLC operates an on-Airport 2,000-space surface lot.

All Airport public parking facilities and shuttle bus services are provided under a management fee contract with SP Plus Corporation under which SP Plus is reimbursed for operating and maintenance expenses and paid a management fee of approximately \$0.4 million per year. The management fee contract became effective on October 1, 2016, and, assuming the exercise of one three-year option, would extend through September 2023.

In FY 2018, parking revenues totaled approximately \$40.1 million, or 23.5% of the total revenues shown in Exhibit E. Included in this amount are privilege fees paid by off-Airport parking operators and charges for parking at the approximately 1,500 parking spaces provided by the City for Airport and airline employees.

Two private operators provide approximately 6,400 covered parking spaces in off-Airport lots. Rates charged by the off-Airport operators are, subject to various discounts, about \$10 per day higher than the rates charged by the City for long-term parking. The City collects a privilege fee from the off-Airport parking operators calculated as 10% of their gross receipts. In FY 2018, off-Airport privilege fees totaled approximately \$2.5 million (included with parking in Exhibit E).

The City of Austin and Scott Airport Parking LLC entered into a public-private-partnership arrangement for a surface parking lot and pet hotel on 64 acres of Airport property. The parking facilities are covered by a canopy, with approximately 100 spaces at the pet hotel and 2,000 public parking spaces at the main area. The parking facilities opened in November 2016. In addition to ground rent, the Developer pays percentage rent on a sliding scale from 1 to 10% of gross parking revenue and the greater of a sliding minimum annual guarantee or a sliding scale of 1-10% percentage of pet hotel gross revenues. The term of this arrangement is 30 years. The Developer is responsible for all maintenance and operation of the facilities.

Parking revenues were forecast assuming that:

1. Approximately 5,000 net parking spaces are to become available effective during FY 2019 when the new garage opens in June 2019.
2. The additional spaces associated with the opening of the garage will provide capacity for on-Airport parking transactions, transactions being a function of parking tendency, to increase as well as result in a diversion of parking transactions from long-term lots to garage parking.
3. Parking tendency, as measured by parking transactions per enplanement, will be a function of a) passenger enplanements at the South Terminal, and thereby South Terminal parking lot transactions, b) the continued presence of off-Airport, third-party parking operators, and c) the increasing tendency of passengers to use Transportation Network Companies (discussed later in this section) to get to and from the Airport.
4. Parking revenue per transaction will remain at the FY 2019 level across all facilities managed by SP Plus Corporation on behalf of the Airport.
5. Parking facilities will continue to be operated under management fee agreements with financial terms substantially the same as the current agreement.

#### **Rental Car Revenues**

Rental car revenues shown in Exhibit E are derived from concession privilege fees under the terms of concession agreements that became effective at the date of beneficial occupancy of the new rental car garage, in October 2015, and extend for eleven years with two additional five-year renewals at the City's option. Under these agreements, the rental car companies pay 10% of their gross revenues, against minimum annual guaranteed amounts, for the privilege of operating on Airport. The rental car companies also pay ground rentals for their storage and maintenance facilities (shown in Exhibit E under building and ground rentals).

The rental car companies operating on Airport and their shares of gross revenues in FY 2018 were as follows:

Company	FY 2018	
	Gross Revenues	Share
Hertz (a)	\$ 34,944,000	24.6%
Alamo / Vanguard (b)	32,626,000	22.9%
Avis (c)	22,669,000	15.9%
Enterprise (b)	20,977,000	14.7%
Budget (c)	12,248,000	8.6%
Fox Rent-A-Car	4,747,000	3.3%
Advantage	4,670,000	3.3%
Thrifty (a)	2,977,000	2.1%
Payless (c)	2,843,000	2.0%
Dollar (a)	2,672,000	1.9%
E-Z Rent-A-Car	898,000	0.6%
	<u>\$ 142,271,000</u>	<u>100.0%</u>

(a) Operates as a subsidiary of Hertz Global Holdings, Inc.  
(b) Operates as a subsidiary of Enterprise Holdings, Inc.  
(c) Operates as a subsidiary of Avis Budget Group.

In FY 2018, rental car privilege fees from these companies totaled \$14.3 million or \$1.85 per enplaned passenger. Off-Airport rental car companies pay privilege fees of 8% of certain of their gross revenues, which amounted to approximately \$91,000 in FY 2018 (shown with rental cars in Exhibit E). Rental car privilege fees were forecast to increase with inflation and enplaned passengers.

On behalf of the City, each on-Airport rental car company collects a customer facility charge (CFC) of \$5.95 per transaction-day. As discussed in the letter at the beginning of this report, the 2013 Rental Car Special Facility Bonds issued to fund construction of the consolidated rental car facility are secured by and payable from revenues derived from the CFC. Under the Revenue Bond Ordinances, CFC revenues are not included in Gross Revenues and are not shown in Exhibit E.

### Transportation Network Companies

Since April of 2018, the City has levied a pick-up and drop-off charge of \$2.00 on rides provided by Transportation Network Companies (TNCs) that originate or terminate at the Airport. In FY 2018, the City generated \$4.8 million in TNC trip fees, or \$0.62 per enplaned passenger. Forecast TNC revenue accounts for increases in enplaned passengers as well as the increasing tendency of passengers to choose TNCs over other modes of transport to and from the Airport.

### Other Ground Transportation Fees

The City collects commercial ground transportation fees from the operators of taxicabs, limousines, and shuttle buses and vans. In FY 2018, such fees totaled approximately \$0.5 million, or \$0.07 per enplaned passenger, and were forecast to increase with inflation and enplaned passengers.

### **Fuel Flowage Fees**

General and business aviation at the Airport is presently served by two fixed base operators (FBOs), Atlantic Aviation Services and Signature Flight Support. The FBOs collect fuel flowage fees on behalf of the City. In FY 2018, such revenues totaled approximately \$0.8 million, and were forecast to increase with inflation. Ground and facility rentals paid by the FBOs are included in Exhibit E with other building and ground rentals.

### **Fuel Facility Fees**

In FY 2018, fuel facility fees (calculated to meet capital recovery requirements of the fuel storage facility) were \$0.8 million and were forecast to remain unchanged. These facility payments from the airlines are not included in the calculation of airline payments per enplaned passenger.

### **Cargo Apron Fees**

In FY 2018, aircraft parking fees paid to the City for the use of the apron at the Cargo Port were \$0.5 million and were forecast to increase with inflation.

### **Hotel Fees**

A Hilton hotel at the entrance to the Airport provides approximately 260 rooms, restaurants, and meeting facilities. Revenues paid to the City are calculated as approximately 5% of gross hotel receipts.

In May 2017, the Hyatt Place Austin Airport hotel opened with 140 rooms. Revenue to the City is derived through ground rent per square foot—with CPI adjustments occurring annually—and 25% of net operating income beyond a target return on investment. In FY 2018, hotel revenues totaled \$0.8m and were forecast to increase with inflation.

### **Building and Ground Rentals**

The City derives revenues from Airport property located outside the passenger terminal complex. Such revenues include rents from building and ground leases with the fixed base operators and various other aeronautical and nonaeronautical tenants, including the City of Austin's Learning and Research Center, the South Terminal, ABIA retail, and Scott Parking. Also included are rentals for space in the passenger terminal paid by the CBP, TSA, and other nonairline tenants.

In FY 2018, revenues from building and ground rentals totaled approximately \$7.4 million and were forecast assuming that the provisions of existing leases or other business arrangements (with payments generally increasing with inflation) will continue through the forecast period.

### **South Terminal**

For the use of the South Terminal, Lone Star Holdings pays the Airport an annual rent of \$300,000 annually, plus a sliding scale of 0-20% of gross revenues based on enplanements in the South Terminal. Lone Star operates approximately 900 spaces in an automobile surface parking lot adjacent to the South Terminal. Lone Star receives concession revenues generated at the South Terminal, airline fees for use of the facility, and a share of rental car revenues earned by the Airport (in proportion to South Terminal enplanements relative to total Airport enplanements).

The airline users of the South Terminal pay landing fees at the Signatory rate to the City.

## Other Revenues

In FY 2018, revenues from various other sources totaled approximately \$3.6 million.

**In-flight catering fees.** In-flight catering services to the airlines are provided by Sky Chefs under a concession agreement that provides for fees to the City calculated as 10% of airline catering sales. FY 2018, fees from such services were \$0.5 million, and were forecast to increase with inflation and enplaned passengers.

**Shared tenant service fees.** In FY 2018, fees paid by airlines and others for telecommunications and other shared tenant services were \$0.4 million and were forecast to increase with inflation.

**Rental car facility contributions.** The City receives revenues from the rental car facility trust as reimbursements of foregone parking revenues and operating expenses associated with the construction and operation of the new rental car garage. In FY 2018, such revenues were approximately \$830,000, and are anticipated to total approximately \$840,000 in FY 2019. The City anticipates receiving these reimbursements until the Rental Car Special Facilities Bonds reach maturity.

## Interest Income

Interest income shown in Exhibit E represents investment earnings on balances in the Revenue Fund. In FY 2018, such earnings totaled \$1.2 million and are forecast to grow with inflation through the forecast period. Interest income on balances in the Debt Service Reserve Fund are retained in said fund and are not included.

## APPLICATION OF REVENUES

Exhibit G presents the application of Gross Revenues and Other Available Funds credited to the Revenue Fund in the following amounts and order of priority as established by the Revenue Bond Ordinances:

- **Operation and Maintenance Expenses.** Pay all reasonable and necessary expenses of operating, maintaining, and repairing the Airport System. (Operation and Maintenance Expenses as shown in Exhibit D are forecast.)
- **Debt Service Fund.** Pay Debt Service on Revenue Bonds and any related Credit Agreement Obligations. (Debt Service Requirements as shown in Exhibit C, net of amounts paid from PFC revenues as shown in Exhibit F, are forecast.)
- **Administrative Expense Fund.** Pay fees, expenses, and other amounts payable as Administrative Expenses associated with Revenue Bonds and related Credit Agreement Obligations. (Letter of credit and remarketing fees associated with the Swap Agreement for the 2005 Refunding Bonds are forecast.)
- **Debt Service Reserve Fund.** Transfer any amounts to maintain a balance equal to the Debt Service Reserve Fund Requirement. (The increase in such requirement is forecast to be met from the proceeds of the proposed 2019A-B Bonds and planned 2021 Bonds and no transfers are forecast to be required from the Revenue Fund.)

- **Subordinate Obligations.** Pay any Debt Service or other amounts due on Subordinate Obligations. (No such payments are forecast to be required.)
- **General Obligation Airport Bonds.** Pay Debt Service on City of Austin General Obligation Bonds. (Payments on such bonds allocable to the Airport System are forecast to be made.)
- **Operation and Maintenance Reserve Fund.** Transfer any amounts required to maintain a balance at least equal to two months budgeted Operation and Maintenance Expenses. (Amounts increasing with Operation and Maintenance are forecast.)
- **Renewal and Replacement Fund.** Transfer any amounts required to maintain the Renewal and Replacement Fund Requirement, currently established at \$5.0 million. (No such transfers are forecast to be required.)
- **Capital Fund.** Amounts remaining after all other funding requirements of the Revenue Bond Ordinances have been met are transferred to the Capital Fund. Forecast amounts are shown on Exhibit G.

Amounts credited to the Capital Fund may be used at the City's discretion to pay the costs of renewal, replacement, or other capital expenditures or for any other lawful purpose. Amounts designated at the City's discretion as Other Available Funds are transferred to the Revenue Fund. (Amounts equal to 25% of the Debt Service Requirements of Revenue Bonds are forecast to be transferred in each Fiscal Year as Other Available Funds to contribute to meeting the debt service coverage requirement of the Rate Covenant.)

#### APPLICATION OF PFC REVENUES

All PFC revenues are deposited by the City into the PFC Fund to be used for FAA-approved PFC-eligible projects, either to pay project costs directly or to pay debt service on Revenue Bonds. Under the Revenue Bond Ordinances, PFC revenues are not a part of Gross Revenues but will be set aside during a Fiscal Year for the payment of PFC-eligible debt service in the following Fiscal Year, unless the City receives a report from an Airport Consultant showing that an alternative use of all or a portion of the PFCs will not reduce debt service coverage during the following Fiscal Year to less than 125%. Revenue Bond debt service paid from such set-aside PFC revenues is deducted in the calculation of Debt Service Requirements and debt service coverage for such following Fiscal Year. As shown in Exhibit F, the balance in the PFC Fund at the end of each Fiscal Year is forecast to exceed the amount to be set aside and used to pay debt service on Revenue Bonds in the following Fiscal Year. Such excess balance would, subject to FAA approval, be available for the payment of the costs of PFC-eligible projects.

#### DEBT SERVICE COVERAGE

Exhibit G shows the calculation of debt service coverage. As required by the Rate Covenant, Net Revenues (Gross Revenues less Operation and Maintenance Expenses) and Other Available Funds are forecast to be sufficient to pay at least 125% of the Debt Service Requirements of all outstanding Revenue Bonds, 100% of Administrative Expenses, and all other amounts required under the Revenue Bond Ordinances in each Fiscal Year of the forecast period.

## BASE FORECASTS AND STRESS TEST PROJECTIONS

Exhibit H-1 summarizes the forecast financial results as presented in Exhibits A through G and discussed in the preceding sections assuming the “base” forecast of enplaned passengers and aircraft landed weight presented earlier in Table 12.

Exhibit H-2 is an identical presentation of financial results in which the projected revenues and expenses reflect the “stress test” forecast of enplaned passengers and aircraft landed weight, as also presented in Table 12.

The assumptions underlying the stress test projections are the same as those for the base passenger forecasts, except:

1. Nonairline revenues related to passenger numbers, such as terminal concession revenues, parking, and rental car revenues, are reduced proportionately.
2. PFC revenues are similarly reduced in proportion to reduced passenger numbers.
3. Certain operating and maintenance expenses are reduced to reflect the lower passenger and flight activity (overall O&M Expenses in FY 2025 approximately 11% lower than for the base case). The amounts of such reduced expenses allocated to the airline and nonairline cost centers are likewise reduced.
4. Airline landing fee and terminal rental payments are reduced to reflect the lower allocation of O&M Expenses to the airline cost centers. Airline terminal rentals are further reduced because the occupancy of terminal facilities is lower.

For the stress test, the entire 2019-2023 Project was assumed to be implemented and funded by Revenue Bonds to the same schedule as for the base case and projected debt service is unchanged. Required airline payments per passenger are projected to increase, as shown on Exhibit H-2. Projected Revenue Bond debt service coverage ratios are reduced but still exceed the Rate Covenant requirements.

Exhibit A

**PROJECT COSTS AND FUNDING SOURCES**

**2019 - 2023 PROJECT**

Austin-Bergstrom International Airport  
(in thousands)

	Project Costs	Federal Grants	Pay-As-You-Go		Capital Fund	2019 Bonds			2021 Bonds
			PFC Revenues			2019A Bonds	2019B Bonds	2021 Bonds	
East Concourse Expansion (a)	\$ 28,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 28,000	\$ -	\$ -
Parking Garage (b)	46,500	-	-	-	-	46,500	-	-	-
Cargo Building (c)	20,000	-	-	-	-	-	20,000	-	-
Administration Buildings (d)	17,000	-	-	-	-	-	17,000	-	-
Maintenance Facility	78,500	-	-	-	-	-	78,500	-	-
IT Facility	50,000	-	-	-	2,750	-	47,250	-	-
Master Plan Terminal Projects	220,000	-	25,000	-	-	-	-	-	195,000
Master Plan Airfield Projects	84,400	63,300	-	-	-	-	-	-	21,100
Master Plan Landside Projects	7,494	-	-	-	-	1,000	-	-	6,494
Other Terminal Projects	54,448	-	-	-	3,240	-	40,838	-	10,370
Other Airfield Projects	33,064	13,173	-	-	750	2,843	1,299	-	15,000
Other Landside Projects	88,555	-	-	-	3,130	4,725	5,000	-	75,700
Information Technology Projects	30,410	-	-	-	30,410	-	-	-	-
Capital Equipment and Vehicles	13,238	-	-	-	13,238	-	-	-	-
<b>Total</b>	<b>\$ 771,609</b>	<b>\$ 76,473</b>	<b>\$ 25,000</b>	<b>\$ 53,518</b>	<b>\$ 55,068</b>	<b>\$ 237,887</b>	<b>\$ 323,664</b>		

Source: City of Austin, Aviation Department, May 14, 2019.

(a) The East Concourse Expansion is projected to cost \$378 million, which includes associated apron and taxiway work, and was previously funded with PFCs and proceeds from the 2014 Bonds and 2017A Bonds.

(b) The Parking Garage is projected to cost \$250 million and was previously funded with proceeds from the 2014 Bonds and 2017B Bonds.

(c) Costs associated with the acquisition of the Lynx Cargo Building.

(d) This subtotal consists of \$12 million for the Employment Center and \$5 million for technology components for the Administration Building.

Exhibit B

**SOURCES AND USES OF REVENUE BOND FUNDS**

Austin-Bergstrom International Airport  
(in thousands)

	2019A Bonds	2019B Bonds	2021 Bonds	Total
<b>Sources of Bond Funds</b>				
Bond proceeds				
Principal amount of Bonds	\$ 58,620	\$ 252,865	\$ 341,795	\$ 653,280
Original issue premium (discount)	7,116	28,543	40,072	75,731
Net proceeds	\$ 65,736	\$ 281,408	\$ 381,867	\$ 729,011
Total sources of Bond funds	\$ 65,736	\$ 281,408	\$ 381,867	\$ 729,011
<b>Uses of Bond Funds</b>				
Project costs	\$ 55,068	\$ 237,887	\$ 323,664	\$ 616,618
Other fund deposits				
Debt Service Reserve Fund	\$ 3,892	\$ 16,782	\$ 22,327	\$ 43,001
Capitalized Interest Fund	5,789	24,974	33,756	64,519
Total other fund deposits	\$ 9,682	\$ 41,756	\$ 56,083	\$ 107,521
Delivery Date Expenses				
Cost of issuance	\$ 750	\$ 750	\$ 750	\$ 2,250
Underwriter's discount	234	1,011	1,367	2,613
Other uses of funds	2	4	3	9
Total delivery date expenses	\$ 986	\$ 1,766	\$ 2,120	\$ 4,872
Total uses of Bond funds	\$ 65,736	\$ 281,408	\$ 381,867	\$ 729,011
<b>Key Financing Assumptions</b>				
Projected true interest cost	4.09%	4.15%	4.12%	
Issuance date (beginning of Fiscal Year)	2019	2019	2021	
Capitalized interest period (Years)	2.0	2.0	2.0	
Interest-only period thereafter (Years)	0.0	0.0	0.0	
Principal amortization period (Years)	28.0	28.0	28.0	

Source: PFM Financial Advisors LLC, June 6, 2019.

Exhibit C

**DEBT SERVICE REQUIREMENTS**  
Austin-Bergstrom International Airport  
(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted					Forecast												
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Revenue Bonds</b>																							
2005 Refunding Bonds	\$ 24,746	\$ 12,005	\$ 10,495	\$ 24,002	\$ 32,843	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2013 Bonds	-	1,466	1,499	1,800	5,415	5,409	5,413	5,408	5,412	5,415	5,413	-	-	-	-	-	-	-	-	-	-	-	-
2013A Refunding Bonds	1,188	14,951	16,906	3,325	173	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2014 Bonds	-	-	1,159	1,856	11,202	12,225	12,225	12,225	12,225	12,225	12,225	-	-	-	-	-	-	-	-	-	-	-	-
2017A Bonds	-	-	-	-	7,721	9,265	9,265	9,265	9,265	9,265	9,265	-	-	-	-	-	-	-	-	-	-	-	-
2017B Bonds	-	-	-	-	6,483	6,483	6,483	6,483	6,483	6,483	6,483	-	-	-	-	-	-	-	-	-	-	-	-
2019 Refunding Bonds	-	-	-	-	-	27,706	27,360	27,497	27,360	27,206	27,053	-	-	-	-	-	-	-	-	-	-	-	-
Proposed 2019A Bonds	-	-	-	-	-	-	-	1,466	3,891	3,891	3,888	-	-	-	-	-	-	-	-	-	-	-	-
Proposed 2019B Bonds	-	-	-	-	-	-	-	6,322	16,782	16,780	16,781	-	-	-	-	-	-	-	-	-	-	-	-
Planned 2021 Bonds	-	-	-	-	-	-	-	-	-	22,326	22,325	-	-	-	-	-	-	-	-	-	-	-	-
Subtotal Revenue Bond Debt Service	\$ 25,935	\$ 28,421	\$ 30,059	\$ 30,983	\$ 63,837	\$ 61,088	\$ 61,312	\$ 68,669	\$ 81,414	\$ 103,590	\$ 103,432												
Less: Paid from PFC revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,537)	(22,607)	(34,410)	(34,342)												
Revenue Bond Debt Service Requirements	\$ 14,853	\$ 16,267	\$ 18,144	\$ 20,386	\$ 39,364	\$ 38,538	\$ 38,664	\$ 46,132	\$ 58,808	\$ 69,180	\$ 69,090												
<b>Other obligations</b>																							
2005 Refunding Bonds Administrative Expense	\$ 1,499	\$ 1,378	\$ 1,336	\$ 1,317	\$ 1,181	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -												
Less: Paid from PFC revenues	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-												
Subtotal 2005 Refunding Bonds	\$ 862	\$ 792	\$ 834	\$ 821	\$ 659	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -												
General Obligation Airport Bonds	26	26	27	3	3	-	-	-	-	-	-												
Total other obligations	\$ 888	\$ 818	\$ 861	\$ 825	\$ 662	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -												
Total Revenue Bonds and other obligations	\$ 15,741	\$ 17,085	\$ 19,004	\$ 21,211	\$ 40,026	\$ 38,538	\$ 38,664	\$ 46,132	\$ 58,808	\$ 69,180	\$ 69,090												
<b>Allocation By Cost Center</b>																							
Airline Cost Centers																							
Airfield	\$ 4,198	\$ 4,358	\$ 4,552	\$ 4,874	\$ 5,575	\$ 4,587	\$ 4,620	\$ 5,511	\$ 7,072	\$ 7,808	\$ 7,785												
Terminal Apron	274	272	284	305	1,898	1,914	1,916	2,368	3,121	3,274	3,273												
Terminal Building (Airline)	2,816	3,617	4,912	5,886	9,961	9,653	9,677	11,553	14,715	20,129	20,113												
Terminal Equipment	-	26	26	26	30	32	32	713	1,839	1,839	1,839												
Subtotal Airline Cost Centers	\$ 7,288	\$ 8,272	\$ 9,773	\$ 11,091	\$ 17,465	\$ 16,186	\$ 16,245	\$ 20,146	\$ 26,746	\$ 33,050	\$ 33,010												
Nonairline Cost Centers																							
Terminal Building (Nonairline)	\$ 2,655	\$ 2,815	\$ 2,966	\$ 3,204	\$ 5,702	\$ 5,207	\$ 5,228	\$ 6,167	\$ 7,773	\$ 10,225	\$ 10,211												
Parking	3,879	4,061	4,240	4,538	12,820	13,522	13,552	14,931	17,292	18,000	17,976												
Other Nonairline Cost Centers	1,920	1,936	2,025	2,378	4,039	3,623	3,639	4,889	6,997	7,905	7,894												
Subtotal Nonairline Cost Centers	\$ 8,453	\$ 8,813	\$ 9,231	\$ 10,120	\$ 22,562	\$ 22,352	\$ 22,419	\$ 25,987	\$ 32,061	\$ 36,130	\$ 36,081												
Total Debt Service	\$ 15,741	\$ 17,085	\$ 19,004	\$ 21,211	\$ 40,026	\$ 38,538	\$ 38,664	\$ 46,132	\$ 58,808	\$ 69,180	\$ 69,090												

Source: City of Austin, Aviation Department & PFM, May 15, 2019.

Exhibit D-1

**OPERATION AND MAINTENANCE EXPENSES BY FUNCTION**

Austin-Bergstrom International Airport  
(for Fiscal Years ending September 30, in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted			Forecast			
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Expenses by Function</b>												
Administration												
Management	\$ 3,486	\$ 4,095	\$ 3,813	\$ 4,769	\$ 8,134	\$ 8,499	\$ 8,829	\$ 9,243	\$ 9,598	\$ 9,964	\$ 10,342	
Information technology	4,161	5,106	7,052	7,852	11,317	12,563	13,050	13,662	14,186	14,727	15,377	
Finance and purchasing	2,034	2,129	2,771	2,606	3,682	3,847	3,997	4,184	4,344	4,510	4,681	
City support services	5,119	5,616	5,579	7,836	10,403	10,871	11,293	11,823	12,276	12,744	13,227	
Other administration	3,702	4,700	5,155	5,466	7,850	8,203	8,521	8,921	9,263	9,616	9,981	
Subtotal administration	\$ 18,503	\$ 21,645	\$ 24,370	\$ 28,528	\$ 41,386	\$ 43,983	\$ 45,691	\$ 47,833	\$ 49,668	\$ 51,562	\$ 53,609	
Operations and maintenance												
Operations	\$ 1,265	\$ 1,688	\$ 2,549	\$ 2,257	\$ 3,186	\$ 3,531	\$ 3,668	\$ 3,840	\$ 3,987	\$ 4,139	\$ 4,322	
Parking	8,840	9,697	9,810	10,224	11,430	12,243	12,718	13,315	13,825	14,352	14,897	
Custodial services	6,969	8,110	8,072	8,243	8,862	9,820	10,202	10,680	11,090	11,512	12,021	
Airfield maintenance	5,080	5,742	5,540	6,385	8,333	8,708	9,046	9,470	9,834	10,209	10,596	
Building maintenance	4,867	5,808	6,478	6,575	8,362	9,380	9,744	10,201	10,592	10,996	11,480	
Grounds maintenance	1,373	1,942	1,670	1,883	1,858	2,059	2,139	2,239	2,325	2,414	2,520	
Utilities	6,154	5,803	5,875	6,043	6,596	7,188	7,467	7,817	8,117	8,426	8,746	
Aircraft Rescue and Firefighting	5,171	5,449	6,089	6,370	6,314	6,598	6,855	7,176	7,451	7,735	8,029	
Security	11,275	12,257	13,805	14,814	17,571	19,145	19,889	20,821	21,620	22,444	23,296	
Planning and Engineering	2,445	2,410	3,704	4,022	5,371	5,613	5,831	6,104	6,338	6,580	6,829	
Other operations and maintenance	727	819	985	909	1,261	1,318	1,369	1,433	1,488	1,545	1,603	
Subtotal operations and maintenance	\$ 54,165	\$ 59,723	\$ 64,577	\$ 67,726	\$ 79,147	\$ 85,603	\$ 88,926	\$ 93,096	\$ 96,667	\$ 100,353	\$ 104,339	
Total Expenses	\$ 72,667	\$ 81,368	\$ 88,946	\$ 96,253	\$ 120,532	\$ 129,586	\$ 134,617	\$ 140,930	\$ 146,335	\$ 151,915	\$ 157,947	
Annual Change		12.0%	9.3%	8.2%	25.2%	7.5%	3.9%	4.7%	3.8%	3.8%	4.0%	

Source: City of Austin, Aviation Department, Annual Rates and Charges Reconciliation Reports.

**OPERATION AND MAINTENANCE EXPENSES BY COST CENTER**  
 Austin-Bergstrom International Airport  
 (for Fiscal Years ending September 30, in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted		Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	
<b>Expenses by Cost Center</b>												
<b>Airline Cost Centers</b>												
Airfield	\$ 17,590	\$ 18,791	\$ 22,046	\$ 23,162	\$ 29,319	\$ 31,218	\$ 32,430	\$ 33,951	\$ 35,253	\$ 36,597	\$ 38,037	
Terminal Apron	5,910	6,075	7,452	7,585	9,959	10,646	11,059	11,578	12,022	12,481	12,971	
Terminal Building (Airline)	12,982	14,673	16,388	17,133	21,908	23,752	24,674	25,831	26,822	27,845	28,974	
Terminal Equipment	2,128	3,733	3,507	4,295	4,760	5,110	5,309	5,558	5,771	5,991	6,218	
Shared Use	669	1,068	1,286	1,765	2,106	2,200	2,286	2,393	2,485	2,579	2,677	
<b>Subtotal Airline Cost Centers</b>	<b>\$ 39,279</b>	<b>\$ 44,340</b>	<b>\$ 50,680</b>	<b>\$ 53,940</b>	<b>\$ 68,052</b>	<b>\$ 72,927</b>	<b>\$ 75,758</b>	<b>\$ 79,311</b>	<b>\$ 82,353</b>	<b>\$ 85,493</b>	<b>\$ 88,877</b>	
<b>Nonairline Cost Centers</b>												
Terminal Building (Nonairline)	\$ 18,039	\$ 20,392	\$ 22,121	\$ 23,381	\$ 29,633	\$ 32,122	\$ 33,369	\$ 34,934	\$ 36,273	\$ 37,656	\$ 39,195	
Parking	11,610	12,662	11,660	13,566	15,747	16,905	17,561	18,385	19,090	19,818	20,578	
South Terminal	-	29	405	863	1,562	1,633	1,696	1,776	1,844	1,914	1,987	
Other Nonairline Cost Centers	3,740	3,945	4,081	4,505	5,539	6,000	6,233	6,525	6,775	7,034	7,310	
<b>Subtotal Nonairline Cost Centers</b>	<b>\$ 33,388</b>	<b>\$ 37,028</b>	<b>\$ 38,266</b>	<b>\$ 42,314</b>	<b>\$ 52,481</b>	<b>\$ 56,659</b>	<b>\$ 58,859</b>	<b>\$ 61,619</b>	<b>\$ 63,982</b>	<b>\$ 66,422</b>	<b>\$ 69,070</b>	
<b>Total Expenses</b>	<b>\$ 72,667</b>	<b>\$ 81,368</b>	<b>\$ 88,946</b>	<b>\$ 96,253</b>	<b>\$ 120,532</b>	<b>\$ 129,586</b>	<b>\$ 134,617</b>	<b>\$ 140,930</b>	<b>\$ 146,335</b>	<b>\$ 151,915</b>	<b>\$ 157,947</b>	
<b>Annual Change</b>	<b>12.0%</b>	<b>9.3%</b>	<b>8.2%</b>	<b>25.2%</b>	<b>7.5%</b>	<b>3.9%</b>	<b>4.7%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>3.8%</b>	<b>4.0%</b>	

Source: City of Austin, Aviation Department, Annual Rates and Charges Reconciliation Reports.

Exhibit E

**GROSS REVENUES**

Austin-Bergstrom International Airport  
(for Fiscal Years ending September 30; in thousands)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical			Budgeted			Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
<b>Airline Revenues</b>											
Landing Fees	\$ 23,390	\$ 24,212	\$ 27,657	\$ 33,119	\$ 35,317	\$ 37,576	\$ 38,632	\$ 41,319	\$ 44,527	\$ 46,788	\$ 48,151
Terminal Building Rentals	16,681	18,860	22,259	28,730	26,411	26,290	26,893	30,994	35,547	41,118	41,927
Other Rentals and Fees	8,987	10,614	12,013	17,299	26,248	25,291	25,905	27,878	30,307	32,242	33,588
Total Airline Revenues	\$ 49,059	\$ 53,686	\$ 61,929	\$ 79,148	\$ 87,976	\$ 89,157	\$ 91,431	\$ 100,191	\$ 110,382	\$ 120,148	\$ 123,666
Airline Revenues as a Share of Total Revenues	41.1%	40.9%	42.6%	46.3%	47.8%	46.6%	46.4%	47.9%	49.5%	50.8%	50.7%
<b>Nonairline Revenues</b>											
Terminal Concession Revenues	\$ 6,195	\$ 7,189	\$ 8,261	\$ 10,202	\$ 10,962	\$ 12,349	\$ 13,083	\$ 13,850	\$ 14,651	\$ 15,487	\$ 16,361
Food and Beverage	3,056	3,178	3,281	3,981	3,810	4,292	4,548	4,814	5,092	5,383	5,687
Retail	1,574	1,609	1,723	1,950	2,188	2,465	2,612	2,765	2,925	3,092	3,266
Passenger Services	154	171	128	623	591	704	724	744	765	785	805
Subtotal Terminal Concession Revenues	\$ 10,979	\$ 12,146	\$ 13,393	\$ 16,756	\$ 17,551	\$ 19,811	\$ 20,966	\$ 22,173	\$ 23,432	\$ 24,747	\$ 26,119
Revenue per Enplaned Passenger	\$ 1.90	\$ 1.97	\$ 1.99	\$ 2.16	\$ 2.09	\$ 2.26	\$ 2.33	\$ 2.40	\$ 2.47	\$ 2.54	\$ 2.61
Parking and Ground Transportation											
Parking	\$ 36,586	\$ 39,382	\$ 40,542	\$ 40,092	\$ 44,697	\$ 44,246	\$ 44,744	\$ 45,704	\$ 46,874	\$ 48,041	\$ 49,205
Rental Cars	13,279	13,849	14,055	14,394	14,239	15,773	16,224	16,674	17,125	17,576	18,026
Transportation Network Companies	-	-	1,188	4,791	4,890	7,042	7,762	8,140	8,362	8,585	8,807
Other Ground Transportation	508	577	675	530	539	562	578	594	610	626	642
Subtotal Parking and Ground Transportation	\$ 50,373	\$ 53,807	\$ 56,461	\$ 59,807	\$ 64,365	\$ 67,623	\$ 69,307	\$ 71,112	\$ 72,971	\$ 74,827	\$ 76,681
Revenue per Enplaned Passenger	\$ 8.70	\$ 8.71	\$ 8.39	\$ 7.73	\$ 7.66	\$ 7.73	\$ 7.70	\$ 7.69	\$ 7.68	\$ 7.67	\$ 7.67
Other Revenues											
Fuel Flowage Fees	\$ 693	\$ 695	\$ 784	\$ 817	\$ 886	\$ 913	\$ 940	\$ 968	\$ 998	\$ 1,027	\$ 1,058
Fuel Facility Fees	763	759	758	759	759	759	759	759	759	759	759
Cargo Apron Fees	500	490	500	548	523	538	554	571	588	606	624
Hotel Fees	728	753	665	825	720	742	764	787	810	835	860
Building and Ground Rentals	3,218	4,304	4,580	7,374	5,800	6,174	6,359	6,550	6,746	6,949	7,157
Other	2,917	4,360	5,494	3,570	4,798	4,977	5,141	5,310	5,486	5,668	5,856
Interest Income	153	312	652	1,206	778	802	826	851	876	902	930
Subtotal Other Revenues	\$ 8,972	\$ 11,672	\$ 13,432	\$ 15,099	\$ 14,265	\$ 14,905	\$ 15,344	\$ 15,797	\$ 16,264	\$ 16,746	\$ 17,244
Annual Change	30.1%	15.1%	12.4%	-5.5%	4.5%	2.9%	3.0%	3.0%	3.0%	3.0%	3.0%
Total Nonairline Revenues	\$ 70,324	\$ 77,625	\$ 83,286	\$ 91,663	\$ 96,181	\$ 102,339	\$ 105,617	\$ 109,081	\$ 112,667	\$ 116,320	\$ 120,044
Annual Change	10.4%	7.3%	10.1%	4.9%	6.4%	3.2%	3.3%	3.3%	3.3%	3.2%	3.2%
Total Revenues	\$ 119,383	\$ 131,310	\$ 145,215	\$ 170,810	\$ 184,157	\$ 191,496	\$ 197,048	\$ 209,273	\$ 223,049	\$ 236,468	\$ 243,710
Annual Change	10.0%	10.6%	17.6%	7.8%	4.0%	2.9%	6.2%	6.6%	6.0%	6.0%	3.1%

Source: City of Austin, Aviation Department, Annual Rates and Charges Reconciliation Reports.



Exhibit F

**SOURCES AND USES OF PFC REVENUES**

Austin-Bergstrom International Airport

(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted					Forecast		
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025		
<b>Sources of PFC Revenues</b>													
Enplaned Passengers	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000		
Percent Eligible Passengers Paying PFC	88.0%	88.8%	85.9%	86.8%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%	87.0%		
Net PFC per Passenger (a)	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39	\$ 4.39		
PFC Collections	\$ 22,384	\$ 24,101	\$ 25,378	\$ 29,493	\$ 32,082	\$ 33,419	\$ 34,374	\$ 35,329	\$ 36,283	\$ 37,238	\$ 38,193		
Investment Earnings	103	299	617	1,358	530	288	344	392	441	416	432		
Total Sources of PFC Revenues	\$ 22,488	\$ 24,400	\$ 25,995	\$ 30,851	\$ 32,613	\$ 33,707	\$ 34,718	\$ 35,721	\$ 36,725	\$ 37,654	\$ 38,625		
<b>Uses of PFC Revenues</b>													
Debt Service on Revenue Bonds	\$ 11,082	\$ 12,155	\$ 11,915	\$ 10,597	\$ 24,473	\$ 22,550	\$ 22,648	\$ 22,537	\$ 22,607	\$ 34,410	\$ 34,342		
2005 Bonds Administrative Expenses	637	586	502	495	522	-	-	-	-	-	-		
Pay-As-You-Go Expenditures	-	-	-	-	56,000	-	2,432	3,394	19,173	-	-		
Total Uses of PFC Expenditures	\$ 11,720	\$ 12,740	\$ 12,417	\$ 11,092	\$ 80,995	\$ 22,550	\$ 25,080	\$ 25,931	\$ 41,780	\$ 34,410	\$ 34,342		
PFC Revenues Less Expenditures	\$ 10,768	\$ 11,659	\$ 13,578	\$ 19,759	\$ (48,382)	\$ 11,157	\$ 9,638	\$ 9,790	\$ (5,055)	\$ 3,245	\$ 4,284		
PFC Fund Balance	\$ 61,085	\$ 72,745	\$ 86,322	\$ 106,082	\$ 57,699	\$ 68,857	\$ 78,494	\$ 88,284	\$ 83,229	\$ 86,474	\$ 90,758		
Required set-aside for payment of PFC-eligible debt service in following Fiscal Year	\$ 12,155	\$ 11,915	\$ 10,597	\$ 24,473	\$ 22,550	\$ 22,648	\$ 22,537	\$ 22,607	\$ 34,410	\$ 34,342	\$ 29,177		

Source: City of Austin, Aviation Department, Annual PFC Reports.

(a) \$4.50 less airline collection fee of \$0.11 per passenger.



Exhibit H-1

**SUMMARY OF FORECAST FINANCIAL RESULTS: FORECAST - BASE CASE**

Austin-Bergstrom International Airport  
(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted					Forecast					
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025					
<b>Gross Revenues and Other Available Funds</b>																
Airline Revenues	\$ 49,059	\$ 53,686	\$ 61,929	\$ 79,148	\$ 87,976	\$ 89,157	\$ 91,431	\$ 100,191	\$ 110,382	\$ 120,148	\$ 123,666					
Terminal Concession Revenues	10,979	12,146	13,393	16,756	17,551	19,811	20,966	22,173	23,432	24,747	26,119					
Parking and Ground Transportation Revenues	50,373	53,807	56,461	59,807	64,365	67,623	69,307	71,112	72,971	74,827	76,681					
Other Revenues	8,972	11,672	13,432	15,099	14,265	14,905	15,344	15,797	16,264	16,746	17,244					
Gross Revenues	\$ 119,383	\$ 131,310	\$ 145,215	\$ 170,810	\$ 184,157	\$ 191,496	\$ 197,048	\$ 209,273	\$ 223,049	\$ 236,468	\$ 243,710					
Other Available Funds	3,713	4,067	4,536	5,097	9,841	9,635	9,666	11,533	14,702	17,295	17,273					
Gross Revenues and Other Available Funds	\$ 123,096	\$ 135,377	\$ 149,751	\$ 175,907	\$ 193,998	\$ 201,131	\$ 206,714	\$ 220,806	\$ 237,751	\$ 253,763	\$ 260,982					
Enplaned Passengers	5,792	6,180	6,729	7,740	8,400	8,750	9,000	9,250	9,500	9,750	10,000					
Annual Change	9.8%	6.7%	8.9%	15.0%	8.5%	4.2%	2.9%	2.8%	2.7%	2.6%	2.6%					
Airline Payments per Enplaned Passenger	\$ 8.12	\$ 8.39	\$ 8.86	\$ 9.03	\$ 10.25	\$ 9.97	\$ 9.94	\$ 10.61	\$ 11.40	\$ 12.10	\$ 12.15					
<b>Application of Gross Revenues and Other Available Funds</b>																
Operation and Maintenance Expenses	\$ 72,667	\$ 81,368	\$ 88,946	\$ 96,253	\$ 120,532	\$ 129,586	\$ 134,617	\$ 140,930	\$ 146,335	\$ 151,915	\$ 157,947					
Revenue Bond Debt Service	25,935	28,421	30,059	30,983	63,837	61,088	61,312	68,669	81,414	103,590	103,432					
Less: Paid from PFC revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,537)	(22,607)	(34,410)	(34,342)					
Other Applications	1,766	2,186	2,155	2,176	4,526	1,509	839	1,052	901	930	1,005					
Capital Fund	33,811	35,556	40,506	57,092	29,576	31,498	32,593	32,692	31,708	31,739	32,939					
Total Application	\$ 123,096	\$ 135,377	\$ 149,751	\$ 175,907	\$ 193,998	\$ 201,131	\$ 206,714	\$ 220,806	\$ 237,751	\$ 253,763	\$ 260,982					
<b>Passenger Facility Charges</b>																
PFC Revenues	\$ 22,488	\$ 24,400	\$ 25,995	\$ 30,851	\$ 32,613	\$ 33,707	\$ 34,718	\$ 35,721	\$ 36,725	\$ 37,654	\$ 38,625					
Less: PFC Revenues Used To Pay Debt Service	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,550)	(22,648)	(22,537)	(22,607)	(34,410)	(34,342)					
Less: PFC Revenues Used To Pay Administrative Expenses	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-					
Less: Pay-As-You-Go Expenditures	-	-	-	-	(56,000)	-	(2,432)	(3,394)	(19,173)	-	-					
PFC Revenues Less Expenditures	\$ 10,768	\$ 11,659	\$ 13,578	\$ 19,759	\$ (48,382)	\$ 11,157	\$ 9,638	\$ 9,790	\$ (5,055)	\$ 3,245	\$ 4,284					
PFC Fund Balance	61,085	72,745	86,322	106,082	57,699	68,857	78,494	88,284	83,229	86,474	90,758					
<b>Debt Service Coverage</b>																
Debt service coverage	3.34 x	3.27 x	3.31 x	3.51 x	1.85 x	1.86 x	1.86 x	1.73 x	1.55 x	1.47 x	1.49 x					
Debt service coverage requirement	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x	1.25 x									

Source: Preceding Exhibits and accompanying text.

Exhibit H-2

**SUMMARY OF FORECAST FINANCIAL RESULTS: FORECAST - STRESS TEST**

Austin-Bergstrom International Airport  
(for Fiscal Years ending September 30; in thousands except as noted)

This exhibit is based on information from the sources indicated and assumptions provided and adopted by Airport management, as described in the accompanying text. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances could occur. Therefore, the actual results will vary from those forecast and the variations could be material.

	Historical					Budgeted					Forecast				
	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025				
<b>Gross Revenues and Other Available Funds</b>															
Airline Revenues	\$ 49,059	\$ 53,686	\$ 61,929	\$ 79,148	\$ 87,976	\$ 78,768	\$ 81,145	\$ 89,910	\$ 100,701	\$ 110,648	\$ 114,348				
Terminal Concession Revenues	10,979	12,146	13,393	16,756	17,551	15,849	16,773	17,738	18,746	19,798	20,895				
Parking and Ground Transportation Revenues	50,373	53,807	56,461	59,807	64,365	53,998	55,343	56,784	58,268	59,750	61,230				
Other Revenues	8,972	11,672	13,432	15,099	14,265	14,905	15,344	15,797	16,264	16,746	17,244				
Gross Revenues	\$ 119,383	\$ 131,310	\$ 145,215	\$ 170,810	\$ 184,157	\$ 163,520	\$ 168,605	\$ 180,229	\$ 193,979	\$ 206,942	\$ 213,718				
Other Available Funds	3,713	4,067	4,536	5,097	9,841	9,757	9,789	11,654	14,823	17,415	17,392				
Gross Revenues and Other Available Funds	\$ 123,096	\$ 135,377	\$ 149,751	\$ 175,907	\$ 193,998	\$ 173,277	\$ 178,394	\$ 191,883	\$ 208,802	\$ 224,357	\$ 231,109				
Enplaned Passengers	5,792	6,180	6,729	7,740	8,400	7,000	7,200	7,400	7,600	7,800	8,000				
Annual Change	9.8%	6.7%	8.9%	15.0%	8.5%	-16.7%	2.9%	2.8%	2.7%	2.6%	2.6%				
Airline Payments per Enplaned Passenger	\$ 8.12	\$ 8.39	\$ 8.86	\$ 9.03	\$ 10.25	\$ 11.01	\$ 11.03	\$ 11.91	\$ 13.00	\$ 13.93	\$ 14.04				
<b>Application of Gross Revenues and Other Available Funds</b>															
Operation and Maintenance Expenses	\$ 72,667	\$ 81,368	\$ 88,946	\$ 96,253	\$ 120,532	\$ 110,552	\$ 115,310	\$ 122,047	\$ 128,087	\$ 134,360	\$ 141,110				
Revenue Bond Debt Service	25,935	28,421	30,059	30,983	63,837	61,088	61,312	68,669	81,414	103,590	103,432				
Less: Paid from PFC Revenues	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,061)	(22,155)	(22,051)	(22,124)	(33,930)	(33,864)				
Other Applications	1,766	2,186	2,155	2,176	4,526	-	-	253	1,007	1,045	1,125				
Capital Fund	33,811	35,556	40,506	57,092	29,576	23,698	23,927	22,965	20,417	19,291	19,307				
Total Application	\$ 123,096	\$ 135,377	\$ 149,751	\$ 175,907	\$ 193,998	\$ 173,277	\$ 178,394	\$ 191,883	\$ 208,802	\$ 224,357	\$ 231,109				
<b>Passenger Facility Charges</b>															
PFC Revenues	\$ 22,488	\$ 24,400	\$ 25,995	\$ 30,851	\$ 32,613	\$ 27,024	\$ 27,812	\$ 28,592	\$ 29,372	\$ 30,076	\$ 30,821				
Less: PFC Revenues Used To Pay Debt Service	(11,082)	(12,155)	(11,915)	(10,597)	(24,473)	(22,061)	(22,155)	(22,051)	(22,124)	(33,930)	(33,864)				
Less: PFC Revenues Used To Pay Administrative Expenses	(637)	(586)	(502)	(495)	(522)	-	-	-	-	-	-				
Less: Pay-As-You-Go Expenditures	-	-	-	-	(56,000)	-	(2,432)	(3,394)	(19,173)	-	-				
PFC Revenues Less Expenditures	\$ 10,768	\$ 11,659	\$ 13,578	\$ 19,759	\$ 48,382	\$ 4,962	\$ 3,225	\$ 3,147	\$ 11,925	\$ (3,853)	\$ (3,043)				
PFC Fund Balance	61,085	72,745	86,322	106,082	57,699	62,662	65,887	69,034	57,108	53,255	50,211				
<b>Debt Service Coverage</b>															
Debt service coverage	3.34 x	3.27 x	3.31 x	3.51 x	1.85 x	1.61 x	1.61 x	1.50 x	1.36 x	1.29 x	1.29 x				
Debt service coverage requirement	1.25 x														

Source: Preceding Exhibits and accompanying text.